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World Business Newspaper — THURSDAY DECEMBER 14 1995

US Congress close to supporting troops for Bosnia

The US Congress was moving towards e grudging endorsement of US participation in the Nato mission in Bosnia, just hours before President Bill Clinton was due to depart for Paris for the signing of an historic peace treaty. Hopes were also rising among western diplomats that today's agreement to end the war in Bosnia would be accompanied by a breakthrough in diplomatic relations between the former Yugoslav republics. Page 14; West's antidote for Balkans war fever, Page 3

Irish deputy PM backs bid for peace: The chance of a lasting peace in Northern Ireland, and the economic benefits that would result, must not be allowed to slip away, Dick Spring, deputy prime minister of the Irish Republic, said. Page 9

WTO chief calls for consensus

The director general of the World Trade Organisation, Renato Ruggiero (left), called for "a non-confrontational agende" for the first WTO ministerial meetings in Singapore next December, and made clear his opposition to moves to raise the controversial issue of trade and labour standards. In his first annual report on developments in the international trading system, be said the multilateral system could only move forward on the basis of consensus. Page 8

German economic growth 'set to resume': German economic growth is likely to resume after a sbort period of stagnation, the Bundesbank said yesterday on the eve of a meeting at which it will discuss whether to cut interest rates. Page 14; UK interest rates cut, Page 9; Editorial Comment, Page 13; Lex, Page 14

Britain to fight racism laws plan: The European Commission is heading for a clash with the Britisb government over plans to introduce Europe-wide legislation to combat racism. Page 2

MEPs back Turkish-EU customs union: The European parliament approved a customs union between the EU and Turkey, binding Ankara closer economically and politically to the EU. Page 2

Brussels rejects cold-calling ban: Proposals to ban telephone "cold calling" and tighten restrictions on selling financial services by telephone or fax were rejected by the European parliament. Page 14

MTU Motoren-und Turbinen-Union, the troubled German engine-making subsidiary of Daimler-Benz, lost its US chief executive, increasing the likelihood that the company will be merged with competitors. Page 16

SBC proposes unified shares: Swiss Bank Corporation proposed fundamental changes in its equity structure, but its continued refusal to lift voting restrictions could lead to complaints from large sharebolders. Page 16

Crédit National, the French banking group specialising in medium and long-term loans, yesterday announced a FFr3.4bn ($861m) cash offer for Banque Française du Commerce Extérieur, the state-controlled banking group. Page 16

British group wins US rail contract: BICC, the Britisb engineering and construction group, is today expected to announce a breakthrough in the US high-speed railway market following the award of a $320m electrification contract. Page 5

Repsol joins Trinidad gas venture: Spanish oil and gas group Repsol has agreed to take a 20 per cent stake in a $1bn venture to produce liquefied natural gas in Trinidad and Tobago. Page 8

TV shopping channel to expand: QVC, the sbopping channel launched on satellite television in Britain two years ago, plans to invest £14m ($21.4m) to create about 1,100 jobs. Page 9

Schroder Securities (Japan), the Japanese securities arm of the UK merchant bank, is to withdraw membership of the Osaka Securities Exchange. Page 18

Kimberly-Clark to cut jobs: Kimberly-Clark, the US tissue maker which on Tuesday finalised its merger with rival Scott Paper, said it would shed 6,000 jobs worldwide and take e charge of $1.4bn against this year's earnings. Page 15

US may target investors in Iran: The US Senate is set to approve legislation stepping up pressure on Iran by targeting foreign companies which invest in the country's oil and gas fields. Page 6

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5,198.41	(+23.49)
NASDAQ Composite	1,058.09	(+6.02)
Europe and Far East		
CAC40	1,833.76	(-15.18)
DAX	2,277.8	(-11.97)
FT-SE 100	3,662.4	(+7.5)
Nikkei	19,283.48	(-29.29)

US LUNCHTIME RATES

Federal Funds	5$\frac{11}{16}$%
3-mth Treas Bills: Yld	5.399%
Long Bond	111$\frac{1}{32}$
Yield	6.064%

OTHER RATES

UK: 3-mo Interbank	6$\frac{11}{32}$%	(6$\frac{17}{32}$%)
UK: 10 yr Gilt	107$\frac{1}{2}$	(107$\frac{1}{8}$)
France: 10 yr OAT	106.34	(106.56)
Germany: 10 yr Bund	102.97	(102.79)
Japan: 10 yr JGB	113.852	(114.182)

NORTH SEA OIL (Argus)

Brent 15-day (Jan)	$17.81	(17.54)

GOLD

New York: Comex		
(Feb)	$387.9	(389.8)
London:		
close	$387.75	(388.5)

DOLLAR

New York: lunchtime		
£	1.532	
DM	1.45185	
FFr	5.01925	
SFr	1.17775	
Y	101.73	
London:		
£	1.5325	(1.5314)
DM	1.4498	(1.4485)
FFr	5.023	(4.9968)
SFr	1.1773	(1.1753)
Y	101.675	(101.805)

STERLING

DM	2.2219	(2.2183)
Tokyo close	Y 101.65	

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$20	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft215	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lw110.00	Iceland	IKr220	Nigeria	Naira90	Slovak Rp	Sk60
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	Kc55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta250
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y500	Philippines	Pso60	Switz	SFr3.60
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 4.20	Syria	S£50.00
Finland	FM15	Kuwait	Fils625	Portugal m'land	Es230	Tunisia	Din1.500
France	FFr11.00	Lebanon	US$1.50			Turkey	L60.000
Germany	DM3.50	Lux	LFr70			UAE	Dh12.00

Czech republic, Hungary and Poland backed for early EU membership

Kohl draws line across Europe

By Lionel Barber in Brussels

Germany is pressing its EU partners to draw e line through Europe and pledge to the Czech republic, Hungary and Poland that they will be in the first wave of the next round of enlargement.

The German policy is expected to provoke controversy et tomorrow'e EU summit in Madrid. Scandinavian countries are unhappy ebout what they consider to be arbitrary judgments which exclude the Baltic states, while the Dutch believe the German call is premature.

But Chancellor Helmut Kohl is adamant that the first political priority for the EU must be to stabilise Germany'e eastern borders, notably with Poland.

Mr Kohl is pressing for eastern enlargement negotiations to begin about six months after the end of next year's intergovernmental conference, matching an earlier pledge given to Cyprus and Malta.

He wants to combine early membership around 2000 with long transition periods for the former communist countries to adjust to EU policy. Several countries worry that the price of meeting Germen eecurity demands will be that changes to the common agricultural policy (CAP) will be only minimal.

Six countries have applied for EU membership: Estonia, Hungary, Poland, Romania, Slovakia, and Latvia. Slovenia, Bulgaria and Lithuania are likely to do so in the next six months.

The Czech cabinet yesterday formally approved its aim for full EU membership and said it would apply in January.

Eastern enlargement is potentially divisive because it challenges EU policies such as the CAP and regional aid, which account for more than two-thirds of the annual Ecu80bn ($104.80bn) EU budget.

Mr Kohl wants a clear signal to the Czechs, Hungarians and Poles in order to shore up economic reform, strengthen public support for EU membership, and prevent e political vacuum arising in central Europe, German officials said.

Bonn has reservations about the Baltic states joining the first wave of new members because it might encourage their desire for a defence guarantee, either through Neto membership or through the Western European Union, the EU'e fledgling security arm. This could provoke e nationalist backlash in Russia, German officials believe.

Germany's reservations about early membership for Bulgaria and Romania are widely shared inside the EU because of worries about their economy, while Slovakia's human rights record has already been the subject of EU-US concerns.

Slovenia'e case is considered sensitive. Italy has reservations about its entry, but overlooking Slovenia would appear to put it in the same category as other former Yugoslav republics still a long way from qualification.

In order to overcome these difficulties, Mr Felipe González, Spanish prime minister and the host of the summit, has suggested offering a pledge to open accession talks in 1998 with all the applicants.

In spite of German pressure, Brussels diplomats said the summit would probably agree to offer the same conditions to unnamed central and eastern Europeans as given to Malta and Cyprus.

Mercosur-EU accord, Page 8

European drug groups fear cheap imports as ban is lifted

By Motoko Rich in London and Emma Tucker in Brussels

European pharmaceutical companies fear they could lose billions in sales and see the value of patents for drugs decline as a parallel trade in cheap drugs from Spain and Portugal is launched today.

Pharmaceutical importers were last night preparing to open trade with Spain and Portugal following a decision by the European Commission to reject the demands of seven member states – including Germany, France and the UK – for safeguards against the exports, which had been banned until this year.

Although some member states still argue that the bans, which date from the accession of Spain and Portugal to the EU in 1985, do not expire until next year, the Commission said that is a matter for national courts or the European Court of Justice to decide. However, it is widely believed that the bans expire no later than December 31 this year.

Drugs group in Northern Europe estimate they could lose more than $2bn a year in sales once exports enter their markets.

They fear wholesalers will buy drugs in the Iberian states, where prices are lower, and import them to northern countries.

The European Federation of Pharmaceutical Industries' Associations said yesterday: "The flood of parallel imports from Spain and Portugal could undermine intellectual property protection in the rest of Europe and there are serious economic consequences for the member states."

The Commission said that the economic data supplied by the member states which applied for the safeguards had "not demonstrated that there would be serious economic difficulties in the pharmaceutical sector as a result of parallel imports."

The bans were originally imposed because Spain and Portugal lacked adequate patent legislation. In 1992, both countries passed tougher patent laws, but the Commission decided to keep the export bans in place for e further three years, to give drugs companies time to adjust.

The pharmaceutical industry argued that three years was too short because some drugs take 10 or more years to develop. It also argues that government price-fixing means countries with little indigenous industry euch as Spain, Portugal and Greece set low medicine prices to lower their national drugs bills.

Since prices are set in local currencies, the steady devaluations of the Spanish peseta and Portuguese escudo have magnified price differences. For example, tbe wbolesale price of

Continued on Page 14
Editorial Comment, Page 19
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West shocked as Chinese dissident jailed for 14 years

By Tony Walker in Beijing

Mr Wei Jingsheng, China's most prominent dissident, was jailed yesterday for 14 years on charges of seeking to overthrow the government and financing subversion.

Western officials in Beijing described the verdict as "shocking" and said there would be repercussions. Pressure on China over its human rights behaviour seems certain to increase.

"There was a dreadful inevitability about it all," an official who monitors the human rights movement said. "They were bound to do something like this to him."

Mr Wei, 46, was found guilty after a five-hour hearing et the Beijing Intermediate People's Court. Foreign reporters were barred from the court compound by policemen, bnt Chinese correspondents were present.

Britain's Foreign Office said Mr Wei had been harshly treated and it would make its views known to the Chinese authorities. Mr Klaus Kinkel, German foreign minister, said: "I appeal to the authorities in China to correct this decision and set Wei Jingsheng free." The US condemned the conviction, saying China had suffered "a serious blow to its prestige" through its handling of the case.

Wei Jingsheng: repercussions likely over 14-year sentence

In Hong Kong, even supporters of Beijing criticised the conduct of the trial. "Is 14 years what he deserves?" said Mr Liu Yiu-Chu, an adviser to the Chinese government. "Deep down in my heart, I don't believe it is."

The official Xinhua news agency reported that Mr Wei's "crimes" included "raising funds to support democratic activities", attempts to set up e "propaganda and liaison base" for dissidents, and seeking to mobilise underground organisations to overthrow tha government.

Mr Wei's supporters dismissed the charges. Outside the court Mr Yang Jing, e fellow dissident, described the trial as a "very sad occasion". Bnt Mr Yang, harassed by police while talking to reporters, said it would prove difficult to stop Mr Wei's democratic ideals spreading.

The sentencing represents another blow to China's tiny and beleaguered dissident movement. China's transitional leadership has clearly decided it is not prepared to tolerate dissent.

Yesterday's ruling leaves the way open for an appeal. Mr Wei's relatives said he would challenge the verdict.

The 14-year sentence is the second time Mr Wei has received a long prison term for pro-democracy activities. In 1979, he was sentenced to 15 years' jail for counter-revolutionary crimes and for allegedly passing military secrets to a foreign reporter.

He was released on parole in 1993 after serving 14 years of the sentence, but was detained on April 1, 1994 and held until his trial yesterday.

Mr Wei required medical treatment during the proceedings, according to one of his relatives.

Editorial Comment, Page 13

Appealing for support

With Russia's parliamentary elections just four days away, leading candidates were campaigning for votes yesterday. Prime minister Victor Chernomyrdin (left) said the country would hold to its reformist course, despite polls predicting a Communist victory.

Also appealing for support were Vladimir Zhirinovsky, leader of the ultra-nationalist Liberal Democratic party, and Alexander Lebed (right), the former general and front-man for the Congress of Russian Communities. He said the country's current leaders had weakened the Russian state and destroyed its economy.

Speaking in a husky baritone, be predicted his party would win between 12 and 27 per cent of the popular vote on Sunday. The elections are an important test of the government's reform policies and of Mr Chernomyrdin's popularity.

Report, Page 2

Chirac backs PM as French protests continue

By David Buchan in Paris

French president Jacques Chirac yesterday backed Mr Alain Juppé, the country'e beleaguered prime minister, saying there was "no other alternative" to the welfare reforms which bave prompted massive street protests.

But further concessions yesterday from Mr Juppé, including a backdown on public sector pension reform and the calling of e "social summit" for December 21 with union and business leaders, did not appear to bring the end of the crisis much closer.

The Force Ouvrière union federation said it would join the pro-communist CGT federation in another national day of action on Saturday. Only 5 per cent of public sector workers were on strike yesterday but the deadlock in the SNCF rail stoppage remained.

At e cabinet meeting, Mr Chirac told his ministers that "we have not been elected to preside over the decline of France – it is therefore essential to hold course". At the same time, he recommended "dialogue and negotiation" to get France out of its present crisis.

The prime minister's office confirmed to union leaders that the government had abandoned attempts to bring the more generous public sector pension arrangements in line with those in the private sector. In particular, the government agreed to union demands not to increase the length of employment needed for pension qualification.

Mr Juppé also confirmed to the National Assembly that he had scrapped his earlier plan to streamline the state-owned SNCF rail network. Promising fresb talks on a new rail plan, he claimed "there is no longer any reason for the strike".

This week's protest demonstrations, particularly Tuesdey's marches, which, according to police estimates, mey have brought nearly 1m people on to the streets of French cities, have increasingly been directed at Mr Juppé's position as prime minister, as well as at his social security reforms. Mr Chirac's

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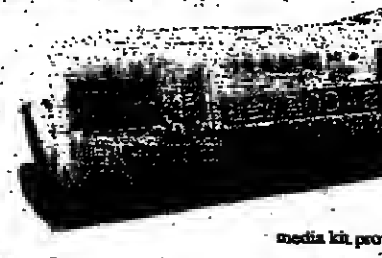

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NEWS: EUROPE

Socialists approve accord despite human rights worries

Turkish-EU customs union wins backing from MEPs

By John Barham in Ankara and Caroline Southey in Brussels

The European Parliament yesterday approved a customs union between the EU and Turkey, binding Ankara closer economically and politically to the EU.

The vote, by 343 to 149, reflected a sharp change of mood in the parliament in the last few weeks.

MEPs had earlier threatened to veto or postpone the accord because of concerns about Turkey's commitment to democracy and human rights.

Under the customs union, Turkey will become part of the single European market and adopt EU trade legislation and its common external tariff from January 1.

The vote followed weeks of intensive lobbying by member states and the US, which argued that a vote against the accord would bolster fundamentalist opposition parties in Turkey and damage Mrs Tansu Çiller's chances of securing re-election as prime minister on December 24.

Mrs Pauline Green, leader of the Socialist group, the largest bloc in the parliament, said many deputies voted "with sorrow, with heavy hearts and without enthusiasm".

Mr Jack Lang, a French Socialist MEP, broke with the Socialist bloc and voted against the accord, arguing that his conscience would not allow him to support an economic accord with a "regime of regression and repression".

Approval by such a wide margin will help boost the flagging popularity of Mrs Çiller, who said the union was "a step towards full [EU] membership. Our aim is to take to attain the highest level of democracy and human rights."

Mr Hans van den Broek, EU commissioner for external relations, said that removal of the tariff and non-tariff barriers would lead to a great "increase of trade" and demonstrated "confidence in the future of the Turkish economy".

The EU long ago gave Turkish exporters almost completely free access to its markets, so European exporters will benefit more from customs union than their Turkish competitors. Turkey is one of the EU's ten largest markets. EU companies sold goods worth $10.33bn to Turkey last year, giving a $2.04bn surplus.

The abolition of Turkey's average 14 per cent protection on EU imports should boost trade considerably, but will also increase competition. Large Turkish companies have invested heavily in restructuring, but greater competition could bankrupt many small and medium-sized companies, adding to Turkey's already high unemployment.

The treasury will also forgo about $2bn in annual customs revenues, although EU aid and loans and a new domestic tax structure will offset part of this loss.

Although closer ties with Europe are popular, customs union faces considerable political opposition. Mr Necmettin Erbakan, leader of the radical Islamic Refah party, which is leading in the polls, called Mrs Çiller "a bride of the infidel. Turkey will be a servant of the Europeans."

Mr Bülent Ecevit, whose small moderate Democratic Left party is a likely coalition partner in a future government, said he would press for renegotiation because Turkey was forced to make "unforgiveable" concessions over Cyprus and accepted European monitoring of domestic politics.

THE CUSTOMS UNION

Tariffs: Turkey to remove tariffs on imports of EU industrial goods. Apart from textiles, the EU has done away with most duties and quotas on industrial imports from Turkey.
Textiles: Turkey to abide by EU textile policy.
Motor vehicles: Turkey to keep tariffs on cars with engines larger than three litres above EU Common Customs Tariff levels. Monitoring system to be set up for imports of Japanese cars.
Intellectual property: Turkey to bring copyright and patents law into line with EU, and to implement Uruguay Round rules on patents for pharmaceutical processes and products by January 1 1999.
Competition: Turkey to align laws fully with EU and set up independent enforcement agency.
Commercial policy: Turkey to align within five years with EU policy on trade preferences.
Agriculture: Both sides to work towards free trade in agricultural products by 2005: negotiations of specific mutual concessions in the meantime.
Coal and steel: Turkey to open negotiations on free trade in products under European Coal and Steel Community.
Social policy: Turkey reluctantly agreed to postpone negotiations on free movement, working conditions, employment, social entitlements and rights of establishment of Turkish workers in EU.

Dini in search of compromise to boost budget

By Robert Graham in Rome

Mr Lamberto Dini, the Italian prime minister, was last night trying to negotiate a compromise deal with political leaders to ensure the 1996 budget is endorsed by parliament before Christmas.

The prime minister has let it be known be would be prepared to call a vote of confidence to head off a mass of time-consuming amendments. But resort to such a vote could result in the government being defeated, undermining his plans to remain in office at least until next June, when Italy completes its six-month presidency of the EU.

Most of the amendments have been tabled by Forza Italia, the political movement headed by Mr Silvio Berlusconi, the former prime minister. In recent days Mr Berlusconi has adopted an increasingly ambiguous attitude towards the budget. On several occasions he has swung within the space of 24 hours from outright opposition to willingness to compromise.

The budget, first announced at the end of September, seeks to raise L32,500bn ($20bn) in new revenues and spending cuts. But even as it is being discussed, L5,500bn more is likely to have to be raised in a special additional measure at the end of the year to cover revenue shortfalls. Government economists are still uncertain whether the size of the additional budget will be greater because of uncertainties about both revenues from a scheme to settle disputed tax bills and an amnesty on illegally-built buildings, allowing them to be registered on payment of a fee.

The battle over the budget has also become highly politicised by moves from Forza Italia to table an amendment to lower the threshold for tax breaks to encourage companies to go to the stock exchange.

The original measures were intended to attract small and medium-sized companies. But centre-left deputies believe the higher threshold is tailor-made to encompass Mr Berlusconi's television interests – due to be partly floated as Mediaset next year.

These deputies claimed yesterday Mr Berlusconi's Fininvest group would save up to L300bn in taxes as a result of the amendment. Until yesterday Forza Italia had insisted the amendment was part of the price for the overall support for the budget. However, last night there were signs of Forza Italia backing down.

A cabinet meeting is due today to consider whether to go ahead with a motion of no-confidence.

Long distance call, Page 13

Britain stands alone against plan for racism laws

By Emma Tucker in Brussels

The European Commission was yesterday heading for a clash with the British government over plans to introduce Europe-wide legislation to combat racism and xenophobia.

The Commission's proposals foreshadow a battle over how far the sensitive areas of justice, crime and immigration should remain the responsibility of national governments at next year's intergovernmental conference.

Mr Padraig Flynn, commissioner for social affairs, won support from his fellow commissioners in pressing for specific powers to combat racial discrimination at an EU level.

"I want to see a specific reference in the Treaty [of Rome] to combating racism," he said. "I also want to see European-level legislation."

The Commission further intends to include, where appropriate, a "non-discrimination" clause in future legislation to ensure that proposals are unbiased in terms of sex, race, colour and religion. The exact content of the clause has yet to be decided but it is likely to be based on Article 14 of the European Convention on Human Rights.

In addition, Brussels has proposed that 1997 be designated the "European Year Against Racism". Privately, diplomats admitted that this was unlikely to come about, given the UK's total opposition to any binding action on racism at an EU level.

In putting forward these proposals, Mr Flynn has raised the stakes for next year's intergovernmental conference where an extension of majority voting to justice and home affairs will come high on the agenda.

Many member states are frustrated that so little progress has been made in this area where national governments, acting alone, can block the adoption of initiatives, because justice and home affairs remain a matter for consensus between national governments.

The UK has recently been accused by other member states of using its power of veto to delay progress on EU wide action against racism and xenophobia, and the operation of Europol – the European Police Office, set up to combat cross border crime through exchanges of information between national police forces.

Separately, Ms Anita Gradin, the commissioner responsible for interior affairs, said the Commission intended to propose that all justice and home affairs matters, excluding police and criminal law, be dealt with under the "first pillar" of the Maastricht Treaty – where the Commission has a lead role in initiating legislation, and where votes in the council of ministers are taken by a qualified majority.

"In the run-up to next year's intergovernmental conference, the Commission has been carefully analysing all the issues.

"Our bottom line is that significant changes are needed. We should aspire to achieve greater efficiency, better legal security and more democratic control," said Ms Gradin.

Arrangements for police and criminal law should remain matters for intergovernmental co-operation, she added, albeit with greater input from the European Parliament and the European Court of Justice.

German and UK business doubtful on Emu benefits

By James Blitz, Lobby Correspondent

Senior business figures in the UK and Germany have strong doubts about the effect of a single European currency on their competitiveness, according to a survey by Andersen Consulting, the management consultancy.

In a wide-ranging survey, 39 per cent of UK companies and 43 per cent of German ones said a single currency would "not be beneficial" for their countries' business prospects.

The report, which comes on the eve of this weekend's summit of European Union leaders in Madrid, showed that 42 per cent of German companies believed that their country had a fundamentally different structure from other EU states – and that this would lead them to incur additional costs once a single currency was created.

This view was shared by only 12 per cent of UK business leaders, but more than a third argued that monetary union would not lead to increased foreign direct investment in the European bloc as a whole.

The survey was conducted among 157 of Europe's leading companies, with a combined market capitalisation of nearly $1,000bn.

The greatest enthusiasm for Emu was found among French managers: 87 per cent believed that monetary union would be beneficial for business in their country, with none taking a contrary view.

Nearly nine out of 10 managers across Europe also took the view that Emu would bring them some savings because of reduced exchange transaction and hedging costs.

The results are likely to be seized on by Eurosceptic politicians in the UK to back up their view that monetary union would have a damaging effect on business prospects, and that the lack of economic convergence between big states might make plans to create a single currency before 1999 very damaging.

The survey revealed striking differences between commercial sectors over attitudes towards European integration. More than 79 per cent of banking organisations and 66.7 per cent of insurance companies believed that Emu would be "beneficial" for business in their countries.

Forty three per cent of German businesses believed they would suffer as a result of collective decision-making and 35 per cent believed Germany was likely to enter the single currency at a rate that would damage their business.

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R

'Russian reforms will continue'

Chernomyrdin defends economic record and expects to keep job as premier after polls on Sunday

Russia will hold to its reformist course, despite polls predicting a Communist victory in parliamentary elections just four days away, Mr Victor Chernomyrdin, Russian prime minister, promised yesterday.

"There will be no U-turn in policy and we will continue on our course," said Mr Chernomyrdin in a rare public appearance to defend his government's economic record and urge voters to support Our Home is Russia, the recently formed pro-government party led by the premier.

Mr Chernomyrdin said he would keep his job after the elections and the cabinet would be unchanged, but other senior politicians have predicted he will be sacked if Our Home is Russia does badly. Mr Chernomyrdin said he had received no promise to stay on from the president.

After four years of traumatic economic reforms, most Russians are deeply disgruntled with their current leaders, but Mr Chernomyrdin sought yesterday to remind them of his government's achievements. He pointed to the reining in of inflation, down to a monthly 4.5 per cent in November, the lowest level since market reforms were launched.

Mr Chernomyrdin also predicted that the Russian economy, which has contracted sharply since the collapse of the Soviet Union, would begin to grow next year.

Western economists broadly agree with Mr Chernomyrdin's assessment, although his message was somewhat undermined by a dip in the rouble, which has been weakened by market worries about the election, to Rb4,619 against the dollar, its lowest level in six months.

The premier warned that the economic accomplishments of the past four years would be in jeopardy if voters believe the campaign promises of the Communists and the Congress of Russian Communities, a newly formed nationalist party also expected to do well.

"The price of these slogans and promises is very high," said Mr Chernomyrdin, who warned that the increased spending on social welfare advocated by both parties could push Russian back into hyperinflation.

But, in a hint that the government is bracing itself for unwelcome results on election day, Mr Chernomyrdin conceded: "The Communists will get quite a number of votes."

Mr Chernomyrdin's dry delivery and defensive tone contrasted with yesterday's robust attack on the Kremlin by Mr Alexander Lebed, the former general and front-man for the Congress of Russian Communities, who said the country's current leaders had weakened the Russian state and destroyed its economy.

Appearing in uniform and speaking in his familiar husky baritone, Mr Lebed predicted his party would win between 12 and 27 per cent of the popular vote on Sunday.

He said Our Home is Russia "has little chance" and dismissed the organisation as "a Kremlin party of bureaucrats which has used its position and national wealth for its own interests". Mr Lebed also warned that Our Home is Russia was likely to use its control over the government to rig Sunday's ballot.

Chrystia Freeland

A Russian soldier casts his ballot at a base near Grozny in the rebel Chechnya region. The military voted early in order to be free to help with election security on Sunday Reuter

Brussels to revive biotech harmony bid

By Daniel Green

A European Commission attempt to harmonise the patenting of biotechnology products is to be revived nine months after a previous proposal was thrown out by the European Parliament.

The parliament killed legislation seven years in preparation after deputies criticised provisions for patenting genetically-engineered animals and inventions based on human body parts.

But the Commission insisted yesterday that change was still necessary. "Current European patent law was drafted 30 years ago at a time when the scope offered by biotechnology could not be imagined," it said.

Without change, there would be "a proliferation of divergent legislation and case-law that would threaten to fragment the single market". It would also fail to take account of "ethical aspects" of biotechnology.

At the same time, the Commission warned that progress in biotechnology could be made only if research results could be exploited commercially, protected by stable laws and patents. The Commission outlined three changes to accommodate the parliament's concerns:

- A distinction between inventions and discoveries to prevent the patenting of natural materials but to allow patents on a means of manufacture.
- The prevention of patents on "methods of germ line therapy on humans", a technique that allows genetic changes to be passed on to descendants. The acceptability of patents on animals would be related to a judgment on how much the animal might suffer versus the benefits of the invention.
- An explicit derogation within patent law for farmers' breeding stock. The next stage is for these proposals to be considered by the European Council of Ministers.

The Commission said the proposals "take full account of the European parliament's ethical concerns and call for clarity". It said the rule on animal suffering might, for example, prevent the patenting of Harvard University's "oncomouse", a mouse that has been genetically altered to make it susceptible to getting cancer and which is used to research anti-cancer drugs.

If adopted, European laws would be stricter than those that apply in the US, the Commission added. The present patchwork of patent rules allows, in principle, a biotechnological product to be patent protected in France but not in Germany.

One of the main issues behind tha rejection of the earlier legislation by the parliament in March was the emotive issue of the treatment of foetuses. The altering of genes before birth aims to eradicate inherited diseases by making permanent, inheritable, genetic changes. Other contentious issues included the patenting of elements from the human body and the genetic manipulation of animals. Some sectors of the industry viewed parliament's vote as a "negative political signal".

EUROPEAN NEWS DIGEST

France angry at EU N-test voting

France yesterday protested at the decision of 10 of its European Union partners to maintain their support for a United Nations resolution calling for an immediate halt to nuclear tests.

The 10 EU countries voted on Tuesday in the UN general assembly in the same way they did last month when the resolution came before a UN committee. The 10 held their stance in spite of a display of anger after the initial vote by French leaders, who cancelled meetings with counterparts from Italy, Belgium and Finland. Mr Hervé de Charette, France's foreign minister, yesterday complained to the French parliament that "we have the right to expect a minimum of solidarity".

Paris praised its fellow EU nuclear power Britain for maintaining its vote against the resolution, and Germany, Spain and Greece for maintaining their abstention. President Jacques Chirac was said by one of his ministers to be still "very angry" with Italy, a founder-member of the EU, for not at least abstaining. *David Buchan, Paris*

Tribunal rejects jobs plan

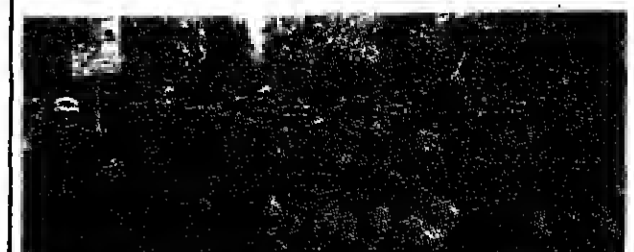
A Paris tribunal yesterday ordered the transport division of the Franco-British company, GEC-Alsthom, to abandon a plan to lay off nearly 1,000 workers over the next three years because the company had failed to show with sufficient precision that the lay-offs were necessary.

GEC-Alsthom announced the lay-offs, confined to its French plants but affecting 10 per cent of its workforce, earlier this year on the argument that the decline in orders for rail rolling stock required a matching reduction in employees. The latter reacted with industrial stoppages and the company was taken to court by its works council.

The Paris tribunal complained that GEC-Alsthom had provided "vague, uncertain, not to say non-existent" evidence to allow the court to judge its proposals for redeployments and its efforts to limit redundancies.

GEC-Alsthom said it regretted the tribunal's decision, which would have an unfavourable impact on its international competitiveness, but added that it would start fresh talks with its workforce. *David Buchan*

Protest brings Brussels to halt



Thousands of Belgian public sector workers brought central Brussels to a standstill yesterday afternoon in a protest against impending government budget cuts. Trade union organisers said more than 40,000 people took part in a march through the streets of the capital. Unions say Mr Jean-Luc Dehaene, the prime minister, plans to cut more than BFr110bn ($3.7bn) from the 1996 budget, threatening jobs, pensions and pay. Mr Dehaene has been forced into cutting the budget to meet the Maastricht treaty criteria on entry into a future economic and monetary union.

Unions are calling for a halt to privatisations and what they see as a stripping of public assets.

Disgruntled railway workers have already held strikes over an impending restructuring of their loss-making company. Workers from Sabena, the national airline which is also in the red, have carried out lightning strikes, fearing that automatic pay increases linked to inflation could be frozen for a number of years.

Mr Dehaene said last month that Belgian workers should stop trying to consolidate what they had and concentrate on becoming productive to face the competition in a future unified Europe. *Reuter, Brussels*

Belgian bonds, capital markets page

Riga police chief jailed for life

A Riga district court yesterday sentenced Latvia's most notorious secret police boss to life in prison for "genocide against the Latvian people". Mr Alfons Noviks, 87, was head of the Latvian branch of the NKVD, the forerunner of the KGB, from 1940 to 1953, a period when up to 230,000 Latvians were deported to Siberia. Thousands more were tortured and killed as Stalin sought to establish Soviet rule over the Baltic state. Mr Noviks commanded the operation and the court also alleged that he personally participated in the torture of political prisoners.

Mr Noviks has consistently denied personal guilt, arguing that he was carrying out laws which were in force at the time. Latvia's decision to jail Mr Noviks, who may still appeal against his sentence, is part of the Baltic republic's policy of punishing former officials for crimes committed in the Soviet era. Although many eastern European nations hava adopted this approach, most former Soviet republics have a far more ambivalent attitude towards the communist era and many continue to honour retired secret police chiefs for their contributions to the Soviet state. *Chrystia Freeland, Moscow*

Call to reform Europe defence

Mr Dick Evans, chief executive of British Aerospace, yesterday called for Europe to rationalise its defence industry in the wake of consolidation in the US. The merged Lockheed Martin and the proposed link between Boeing and McDonnell Douglas posed a threat to European industry, he said.

Speaking at the Royal United Services Institute in London, Mr Evans said governments needed to encourage industry to create strategic alliances, national procurement within Europe should be opened up to European-wide competition.

However, he acknowledged that a transitional period was needed. He warned that, while he would not propose a "fortress Europe" policy, the European defence market could not be completely opened immediately, as this would allow US companies to dominate. Mr Evans said Europe had to create an industry which could, "retain its high-technology design and integration skills and advanced manufacturing processes". *Bernard Gray, London*

Unions to extend eastwards

The Brussels-based European Trade Union Confederation, which represents most unions in western Europe, will expand its membership eastwards today when its executive committee is expected to endorse the inclusion of unions from Poland, Slovakia, the Czech Republic, Hungary, Bulgaria and Romania.

The best-known newcomer will be Poland's Solidarity, which has 1.3m members. The ETUC insists that east European trada union federations seeking membership must be democratic, independent of governments and political parties, and genuinely representative of workers. But it has agreed to take a flexible view of some unions by offering observer status with the prospect of eventual full membership when they have met the requirements. *Robert Taylor, London*

■ Spain's merchandise trade deficit on a customs basis widened 21.2 per cent to Pta272.3bn in October 1995 from Pta224.7bn in October 1994, the finance ministry said. *AP-DJ, Madrid*

■ The percentage of Spain's total workforce registered as unemployed with the national employment institute fell to 15.40 per cent in November from 15.41 per cent in October, the labour ministry said. *AP-DJ, Madrid*

■ Czech producer prices rose 0.2 per cent in November, to give a 7.7 per cent rise over the same month in 1994, the Czech statistical bureau said. *Reuter, Prague*

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NEWS: BOSNIAN PEACE SIGNING

West's antidote for Balkans war fever

Bruce Clark, Diplomatic Correspondent, reports on the route to a pact

A year ago, Bosnian diplomacy was in disarray, and the impasse was poisoning the atmosphere of Europe. War looked certain to resume after a winter truce. The western nations involved in the conflict were bickering furiously with one another, with the Moslem world and with Russia.

Yet today's peace accord, hammered out in Dayton, Ohio, Last month enjoys remarkably hroad support: from the leaders of Serbia, Croatia and Bosnia; from the contact group formed 18 months ago by the US, Russia, Britain, France and Germany which will now bow out; and from the Organisation of the Islamic Conference.

The biggest factor in the change was the engagement of the US administration, with a formidable mixture of diplomacy and force; and if the accord still looks fragile, that is mainly hecause Washington's commitment is fragile.

Both the impasse of a year ago, and today's breakthrough, can in large measure be explained in terms of the conflicting pressures on US President Bill Clinton and of his urgent need to carve his way out of a dilemma that looked almost insoluble.

At the start of 1995, the US government faced growing demands from Congress to end the United Nations peacekeeping mission and help the Bosnian government wage war against the Serh forces who controlled 70 per cent of the republic.

The administration, however, desperately wanted the UN mission, dominated by Britain and France, to stay – albeit in a new military posture that would put pressure on the Serbs as opposed to simply preserving the status quo.

For the US, an abrupt UN withdrawal would have been a double disaster: the financial and military burden of extracting its allies from the conflict zone; and the creation of a lethal vacuum where war could re-ignite and spread.

Bnt Britain and France warned Washington that the UN would have to leave if the US, in deference to Congress, authorised the open supply of weaponry to Bosnia; and they suspected the US was already giving secret help to both Bosnia and Croatia.

France, in particular, threatened to leave Bosnia to its fate unless the US agreed to reinforce the UN mission instead of undermining it.

Britain, France and Russia were mooting a "realistic" policy based on splitting Bosnia into compact units, by ceding land in eastern Bosnia to the Serbs, and rehabilitating Serbian President Slobodan Milosevic.

Nato strained at the seams as the US and two other allies – Germany and Turkey – baulked at this option; they stressed that both Croatia and Bosnia were sovereign states whose right to fight the Serbs could not be denied indefinitely. Faced with the conflicting demands of the US Congress, the west Europeans and the American electorate, the Clinton administration had only one option: to use all its diplomatic and military muscle to engineer a peace which all Nato members could help enforce.

The deal has made it possible both to assuage Congress, by agreeing to arm the Bosnian government, and to show solidarity with the European allies, by sending US ground troops to the region. The balancing act is still a difficult ooe, hnt without a peace deal, it would have been impossible.

The accord was hastened by two ghastly episodes which appalled world opininn and ensured that the most ruthless ofthe Bosnian Serh leaders would be locked out of any peace process.

On July 11, several thousand men, including the local leaders and Bosnian governmeot forces, marched out of the Moslem enclave of Srebrenica, abandoning tbe struggle to defend it against superior Serb forces.

The Serbs moved in and killed thousands of men and boys in cold hlood.

On August 28, a mortar killed at least 37 people in Sarajevo's market, the scene of an even worse casualties in a hlast 19 months earlier. While UN commanders had been defiantly agnostic about the earlier shelling, they asserted that the secood attack had "beyond reasonable doubt" been committed by Serbs.

These episodes had a searing psychological effect, but they were not politically decisive. The fall of Srebrenica, and of nearby Zepa, virtually ended the Moslem presence in eastern Bosnia; but that development was almost inevitable, once it had been decided that Bosnia would be split.

The market-place mortar triggered a two-week Nato bombing campaign, which in turn paved the way for Croat and Bosnian forces to make spectacular gains, putting tens of thousands of Serbs to flight.

But a decision in principle to use airstrikes had been taken several weeks before the mortar.

High international politics, more than any blood-letting in the war zone itself, provide the key to Bosnia's transformation from war to peace.

Bosnia Hercegovina: Nato moves in

The force

US SECTOR HQ: Tuzla

Some 20,000 soldiers of the 1st US Armoured Division, with Abrams M1A2 tanks and Apache helicopters; 1,000 Turks and a 4,500-strong Nordic unit, staffed by Scandinavians and Balts; 2,000 Russians under joint US-Russian command.

UK SECTOR HQ: Gornji Vakuf

Nearly 15,000 UK troops, including a full armoured brigade; others include 1,500 Canadians and 2,000 Dutch troops. UK also heads the command centre of the Allied Rapid Reaction Corps which co-ordinates the whole force.

FRENCH SECTOR HQ: Mostar

Some 8,000 French soldiers in an area where the risk of Croat-Moslem tension, as well as Serb resistance, is high. About 2,000 Italian troops, plus 1,500 from Spain and 500 Portuguese.

The challenge

Nato's first job after deployment is to establish within 30 days a 4km-wide zone between Bosnia's two parts. Then it must ensure that any forces still on the "wrong side" are transferred. Then, within 120 days of deployment, it needs to secure the withdrawal of heavy weapons and local forces to cantons.

1 Trouble Spot US and Russian troops will police the bitterly disputed Posavina corridor, whose status will be settled by arbitration next year.

2 Trouble Spot Croat forces have looted and burned houses in the towns of Sipovo and Mrkonjic Grad, which are due to be transferred to Serb control.

3 Trouble Spot Serb residents of outer Sarajevo have objected to their impending transfer to Bosnian government control and may burn their homes and flee.

4 Trouble Spot French troops will have to construct a road between the Bosnian government strongholds of Sarajevo and Gorazde, over territory which has hitherto been in Serb hands.

Five key men who helped break deadlock

RUPERT SMITH, the British general, decided to take a tougher line than his predecessors when he took charge of UN forces on January 28. In May, he called in Nato airstrikes, and Serbs took nearly 400 peacekeepers captive. The hostage crisis prompted the remaking of the UN mission as a better armed and less vulnerable force.

JACQUES CHIRAC was elected president of France on May 7 and challenged the US for moral leadership of the west. This increased the pressure on the US which feared being shown up. Instead of blocking Franco-British proposals, the US administration began its search for peace.

Washington agreed to parley with Belgrade and accepted the idea of land swaps.

ROBERT DOLE, the US Senate majority leader, gained a 69-29 majority for a resolution on July 27 calling for an end to the arms embargo against Bosnia. It left the Clinton administration little choice but to take some action against the Serbs to appease Congress.

Tougher use of Nato air power was among the few available options.

FRANJO TUDJMAN, Croatia's president, routed rebel Serbs in his country's Krajina region on August 4. This gave him leverage over the fighting in neighbouring Bosnia; by ratcheting up or down his support to his allies in Sarajevo, he could regulate the pace at which the Bosnian Serbs were forced to retreat.

RICHARD HOLBROOKE, the US peace envoy, on August 27 restarted his drive to eod the war. Shaken by the accidental death of three colleagues near Sarajevo, he warned the Serbs of "very adverse consequences". Four days later, Nato began bombing and the Serbs were forced to form a unified team to negotiate with Croatia and Bosnia in Geneva, New York and Dayton, Ohio, where Mr Holbrooke managed to pull off the deal.

Army of civilians mobilised to conquer fear

By Bruce Clark

Nato's 60,000-strong mission will be lavishly financed, formidably armed and limited in its scope and duration. Yet the success of the Bosnian peace agreement will also depend on a giant civilian effort whose exact parameters, timescale and cost are much harder to pin down.

At least five quarrelsome institutions will be involved in translating into reality the lofty ideals – freedom of movement, guaranteed human rights and steady economic recovery – which are envisaged in today's agreement.

Mr Carl Bildt, the former Swedish prime minister, will face the task of co-ordinating the civilian effort, and also liaising with Nato, whose priorities may well differ from his own.

As High Representative, Mr Bildt will preside over monthly meetings of a Steering Board comprising the European Union's presidency, the European Commission, the Organisation of tha Islamic Conference, and the Group of Seven – the US, UK, France, Germany, Italy, Japan, Canada – with Russia, which attends G7 political meetings.

This board will derive its authority from a Peace Implementation Council, consisting of organisations, agencies and more than 40 governments which attended a conference in London last weekend.

The United Nations, widely denounced hy US politicians for its ineffectiveness, is a conspicuous absentee from the steering board.

But at least one UN agency, the High Commissioner for Refugees, still has a massive task since the Dayton agreement lays down that all displaced persons – who probably account for more than half Bosnia's pre-war population – should have the right to return home or receive compensation.

In practice, it is less likely than ever that Bosnians of one ethnic group will agree to live in districts dominated hy another, and the country's de facto segregation may actually harden.

But a Commission for Refugees and Displaced Persons will adjudicate claims. It has no mandate to help people rehuild war-damaged homes, and many could balk at returning to burnt-out shells.

The UN will also assemble a 1,500-strong Civilian Police which will train and monitor local police forces and encourage compliance with elementary principles of human rights.

Huge responsibilities have been vested in the 53-nation Organisation for Security and Co-operation in Europe, a neglected Cinderella among international bodies which UN officials often dismiss as "two men and a dog".

The OSCE will deploy 250 observers to ensure the fairness of the Bosnian elections that are supposed to take place within six to nine months.

In another provision, regarded as Utopian, the agreement says that citizens are supposed to vote from their pre-war homes.

The OSCE will also appoint a human rights ombudsman and oversee the process of arms control and confidence-building measures. A meeting in Bonn next week is supposed to launch this process and will strain the OSCE's capacity to the limit.

The World Bank and the European Commission are co-sponsoring an experts' meeting in Brussels next week on reconstruction.

But France, which blames the Commission for scheduling the meeting far too soon, has quarrelled publicly with the US about how the cost of reconstruction, estimated at between $5bn and $6bn, should be shared out.

The one thing on which military men and civilians agree is that Nato's mission could fail unless the civilian effort speeds up: so far it has been disturbingly slow.

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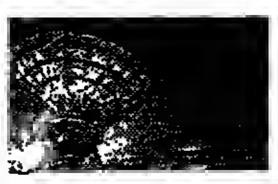


LOCKHEED MARTIN
Mission Success

ASIA-PACIFIC NEWS DIGEST

Howard stresses Australia values

Mr John Howard, leader of Australia's federal opposition, said yesterday the country should not abandon its traditions and values in its effort to integrate with the Asia-Pacific region. "We should not confuse the question of identity with that of relationship. If Australia starts disavowing her history, disowning her valnes or changing her institutions simply because we think countries in the region will respect us more for doing so, we will be badly mistaken."

His remarks came in one of a series of "headland" speeches the Liberal party leader is delivering before federal elections early next year. Referring to the issue of whether Australia should convert to a republic, instead of having the British monarch as head of state, he described Mr Paul Keating, Australia's prime minister, as "a politician with Napoleonic delusions", of seeking "a republic by stealth" and foisting this system on Australians. *Nikki Tait, Sydney*

Japan in space test agreement

Australia and Japan have signed an agreement which will see the Japanese space agency Nasda conduct a series of tests for a re-usable space vehicle at Woomera, South Australia, next year. Woomera, backed by British and European interests, was the centre of a flourishing space industry in the 1960s, but fell into disuse. Efforts have been made to revitalise it recently, although a much-hyped Japanese-German space capsule, due to land there earlier this year, failed to arrive. *Nikki Tait*

Canberra to pay for Cambodia

Australia has agreed to pay Cambodia's admission fee to the International Finance Corporation, the private-sector arm of the World Bank. Australia will provide $339,000 for Cambodia's membership under Canberra's development co-operation with that country. Membership of the IFC will let Cambodia benefit from limited funding without government guarantees for projects that are both financially viable and of benefit to the recipiant. "As part of its evaluation of investment projects, the IFC is able to undertake technical assistance programmes which will assist in making Cambodia more attractive to developing private businesses and to foreign investment," the Australian embassy said. *Reuter, Phnom Penh*

Few decisions on 'New Tokyo'

A 30-year-old idea to move Japan's capital away from Tokyo boiled down to a set of conditions and a timetable to 2011 yesterday, but there were no details on location or cost. A government committee said in its final report that a new capital had to be built somewhere between 60km and 300km from Tokyo and 40 minutes from an airport. The site had to be decided by the end of 1997 so construction could begin by 2001. The panel ruled out hilly country, earthquake-prone areas and regions without enough water for an eventual population of 600,000 people. *Reuter, Tokyo*

E Timor violations 'very grave'

Mr Jose Ayala Lasso, United Nations High Commissioner for Human Rights, said yesterday on his return from a visit to Indonesia he believed there were "very grave" rights violations in East Timor. He had learned that torture was used against political detainees. "The fact that people who express views opposing the government risk imprisonment is a grave violation of human rights in itself." *Reuter, Geneva and Tokyo*

Seoul backs N Korean reactor deal

By John Burton in Seoul

South Korea yesterday gave crucial approval to a contract for the supply of modern light water nuclear reactors to North Korea.

Contract negotiations were tentatively concluded on Tuesday in New York between North Korea and the Korean Peninsula Energy Development Organisation (Kedo), an international consortium that will supply the reactors.

The US offered to supply the new reactors to North Korea in October 1994 in return for Pyongyang scrapping its suspected nuclear weapons programme. The light water reactors produce much less weapons-grade plutonium than North Korea's present graphite reactors, which will be shut down.

The reactor contract is expected to be signed as early as this weekend once the governments of North Korea and the three main Kedo partners, the US, Japan and Sonth Korea, give their final approval.

North Korea's formal acceptance of the reactor contract would indicate it plans to press ahead with a gradual opening of its isolated economy despite possible internal military opposition to the scrapping of tha nuclear weapons programme.

Sonth Korea had been thought the most problematic of the three Kedo partners in approving the contract, since Pyongyang had tried to minimise Seoul's part in the project. But Seoul seemed satisfied the contract guaranteed North Korea would accept South Korean-built reactors and let Korea Electric Power (Kepco), the south's power utility, be main construction contractor.

South Korea is expected to finance most of the $4bn (£2.5bn) reactor project, expected to begin early next year.

The contract talks were concluded after North Korea reduced some of its demands that Kedo provide other facilities related to the reactor project, which would have added $500m-$1bn to its cost.

North Korea agreed to build power transmission and distribution facilities and a fuel reprocessing plant in return for Kedo's arranging foreign loans. Kedo will build roads to the power plant, to be located at Sinpo on North Korea's east coast, and berthing facilities at a nearby pert for construction materials.

Kedo will also provide a reactor simulator and other training facilities. The two reactors to be supplied are an upgraded South Korean version of a model designed by Combustion Engineering of the US. After the first reactor is completed, North Korea will repay financing for the project at no interest over 17 years, after a three-year grace period.

● Reuter adds: Tha World Food Programme warned yesterday it may have to shut down an aid operation in North Korea despite an impending famine because donor nations have failed to provide funds.

South Korea has agreed to immediate foreign participation in a stock-index futures market, to open next May, instead of delaying entry by several months as was previously proposed, John Burton writes. The Finance Ministry was concerned foreign investors would enjoy advantages over domestic investors in terms of experience and size of funds. An options market on the stock index is due to start in early 1997.

But it has imposed a ceiling on foreign participation in the futures market, with total overseas investment limited to 15 per cent of the average daily amount for unsettled or outstanding futures contracts for tha previous three months. A 3 per cent limit will be placed on each single foreign investor.

The ministry promised it would gradually raise the foreign investment ceiling to match improvements in stock market conditions. Futures market membership will be granted to domestic and joint-venture securities firms with paid-in capital of Won50bn (£42m) or more, and local branches of foreign securities firms licensed to engage in brokerage, dealing and underwriting.

The futures market index will comprise 200 listed companies, most of them blue chips, out of the Seoul stock market's present total of 718.

NZ plans tax cuts for lower earnings

By Terry Hall in Wellington

New Zealanders are to receive NZ$1bn (£425m) in tax cuts next July as part of a NZ$1.7bn programme of tax and social policy initiatives to mark the government's successes in cutting debt and putting the economy on a sound basis, Mr Bill Birch, financa ministar, announced yesterday.

The cuts, due to come into effect just before the general election, are part of a two-year, NZ$3.1bn package of tax cuts and increased spending on education, health, education and employment initiatives.

Announcing the package in the December Fiscal Update, the Treasury's mid-year budget statement, Mr Birch stressed the tax cuts were possible only because the government had achieved the target of ensuring that net public debt fell to 29.2 per cent of gross domestic product. The government has repeatedly said the tax cuts would not be made until debt fell below 30 per cent of GDP.

Mr Birch said he was "sure" the Treasury would meet the forecasts by next July, allowing the cuts to proceed. But he added that the following year's planned cuts would be abandoned if economic conditions worsened.

The cuts are primarily aimed at people aarning less than NZ$31,000 a year who pay tax at 24 per cent. The higher tax rate of 33 per cent for earnings over NZ$31,000 will not change. Precise details of the cuts will be released in February.

Mr Birch said the tax cuts for the lower paid were expressly designed to encourage more peopla off the dole. Over the past four years the unemployment level has fallen from 11 to 6.1 per cent of tha workforce.

Treasury forecasts show tha string of government surpluses which began in 1994 will continue, rising from NZ$2.9bn this year to NZ$5.9bn in 1988-99. The government says surpluses are needed to act as a buffer against international shocks, for further tax reductions, and for debt repayment.

World Bank report on poverty

Pakistan lags in human development

By Peter Montagnon, Asia Editor

Pakistan still lags far behind other low income coontries in terms of human development in spite of having a per capita gross national product of $420 which is relatively high for this group of nations, tha World Bank said.

Its life expectancy of 59 years compares with an average of 62 years for all low income countries. Only 35 per cent of adults can read compared with an average of 60 per cent in all poor countries. And 91 of each 1,000 babies die in infancy compared with 73 in poor countries as a whole.

The bank's latest Poverty Assessment Report says Pakistan has made strides in reducing poverty over the past decade. Despite its rapid population growth, per capita consumption has risen in real terms by around 50 per cent over 20 years while the real wages of unskilled urban workers have risen by about 1 per cent a year.

But the progress has been slower than in other developing countries and human development indicators show women are at a serious disadvantage, especially in terms of school enrolment.

"Pakistan's high fertility rate is a particular concern. Growing at 3 per cent a year, the population will double every 23 years, placing enormous demands on basic public services, even just to preserve current levels of coverage and quality. It will also place severe pressure on natural resources and tha labour market," the report said.

The bank said Pakistan needed to continue with its economic reforms in order to create the macro-economic growth necessary to reduce poverty. In particular, it said, it was "critical" to bring the fiscal deficit down, but there was also a need for a better safety net to protect the very poor from the effects of economic restructuring.

This should include a long-term strategy for financing basic social services and efforts to boost rural growth, including a reassessment of its land policy to benefit small farmers.

The bank said the widespread practice of child labour would diminish only gradually as adult incomes rose and basic education improved. Meanwhile, the government should concentrate on curbing the most perverse forms of child labour, such as bonded labour or labour in unsafe environments.

Pokistan Poverty Assessment. The World Bank, 1818 H Street, Washington DC 20433, US

Cuban President Fidel Castro, on his first visit to Tokyo, meets Mr Tomiichi Murayama, Japan's prime minister and a fellow-socialist. Mr Castro said he hoped Japan, as a close US ally, would help Havana improve its ties with Washington. His host told him in turn: "I hope that moves to introduce democracy with a proper respect to human rights will move forward." Reuter

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Fish war crisis brings Thai and Malaysian PMs to the table

When the Malaysian and Thai prime ministers meet at breakfast today, fish will be on the menu, along with coffee and pastries. They will be lucky to get the seafood: the decline of fish stocks in the waters around Thailand is fast becoming a security issue as navies throughout the region battle zealous Thai fishermen.

The hastily called meeting between Mr Mahathir Mohamad and Mr Banharn Silpa-archa on the periphery of the Association of Sonth-East Asian Nations summit in Bangkok is an attempt to end Thailand's most recent fishing row.

On November 6 the Malaysian navy killed two Thai fishermen who were fishing illegally in Malaysian waters. Malaysia says its navy, which has documented a pattern of illegal fishing by the Thais, chased the boat for more than two hours and fired several warning shots before killing the captain and his 14-year-old son.

Thailand has decried the use of excessive force but has yet to issue a formal protest to the Malaysian government. Loath to upset its southern neighbours by defending fishermen whom they cannot control and who were obviously in tha wrong, Thailand has done no more than get the Malaysians to return the bodies and pay for funeral expenses.

Thai fishermen, who control one of tha world'a 10 largest fishing fleets, are threatening to blockada Thai ports in an effort to force their government to do more. They may try to petition Mr Mahathir directly during the summit, which would be an embarrassment for Mr Banharn.

"We should forget about the past and move forward, make a deal with Malaysia on a government-to-government basis," says a Thai foreign ministry official. "This incident could be a good start to preventing the problem from occurring again."

That will not be easy. "Our fishing fleet is so big, there is no control or monitoring system and we have run out of fish," says Mr Surin Pitsuwan, a former Thai deputy foreign minister, who as an MP represents a constituency dominated by the fishing industry. "It is unavoidable."

The Malaysians know this and are beefing up their navy. They plan to spend more than $2bn over the next 15 years on 27 offshore patrol vessels.

"Our sea area is four times as large as our land area," says Mr B A Hamzah of the Maritime Institute of Malaysia in Kuala Lumpur. "We need to prevent our resources from being taken away by other people. The navy takes this very seriously."

So do other countries in the region. Burma recently closed all border crossings with Thailand partly in retaliation for the killing of an entire Burmese crew working aboard a Thai fishing boat, allegedly for alerting the Burmese authorities to illegal fishing practices. Burma is demanding $1m in compensation before the borders can be reopened.

Vietnam rontinely detains Thai boats and jails fishermen, to the point where a good number of southern Vietnam's fishing fleet is made up of confiscated Thai boats. The Thais have continuing fishing disputes with Indonesia, Bangladesh and Cambodia as well.

Mr Banharn is likely to propose to Mr Mahathir the setting up of a joint fisheries committee with Malaysia, say foreign ministry officials. The Thais and Malaysians co-operate quite well in offshore oil exploration in the Gulf of Thailand but a fishing scheme in the late 1980s, whereby Malaysia awarded contracts to Thai fishermen, fell apart because it relied primarily on Thai fishermen monitoring their own compliance with strict rules and procedures, according to Mr Surin.

Instead, many involved in the dispute say the Thais will have to crack down on their own fishing fleet. Yet Mr Banharn has so far shown a reluctance to take on powerful economic groups, such as those who own the fishing boats, and has yet to appoint a deputy foreign minister whose traditional job in Thailand has been to deal with border and maritime disputes.

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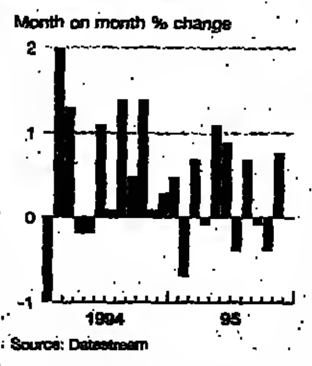
Retail boost reduces US rate cut push

By Michael Prowse in Washington



Figures showing a strong rebound io US consumer spending last month were seen yesterday as reducing the pressure on the Federal Reserve to cut interest rates next week.

The Coomerce Department said retail sales rose 0.8 per ceot last month, against projectious in financial markets of an increase of about 0.5 per cent.

Excluding cars, which tend to be volatile on a monthly basis, sales rose hy 0.9 per cent.

Bond market investors appeared confident yesterday that Fed policy-makers would respond to signs of sluggish growth and subdued inflation by cuttiug sbort-term rates next Tuesday. even if Congress and tbe White House bave not reached an agreement on a budget deal.

However. many economists doubt that the Federal Reserve will take decisive monetary action while the fiscal outlook remains uncertain.

The increase in retail sales was broadly based. Sales of clothing. building materials and furniture were up 2.8 per cent. 2 per cent and 1.5 per cent respectively from October.

However, analysts said tbe gains were largely a compensation for depressed figures in September and October when overall sales fell by 0.1 per cent and 0.4 per cent respectively.

In the past three months sales were up only 0.2 per cent from the previous three months and 3.4 per cent from tbe same period last year, suggesting evidence for a still sluggish underlying trend.

Mr Paul McCulley, chief economist at UBS Securities in New York, said he expected the Fed to respond to a "soggy economy" by cutting rates by half a point to 5.25 per cent, despite the jump in retail sales and an unexpectedly large increase in wholesala prices reported earlier this week.

Other economists were more cautions. "It's a very close call," said Mr David Hale, chief economlst at Kemper Securities in Chicago. He said a cut of more than a quarter point seemed unlikely.

Black mayor for San Francisco

By Jurek Martin in Washington

The son of black civil rights leader Mr Jesse Jackson and the former speaker of the California assembly emerged as the big individual victors in Tuesday's scattered elections, which also saw the Republican party gain anotber seat in the House of Representatives.

Mr Jesse Jackson Jr easily won the solidly Democratic House seat based in Chicago's south side vacated by Congressman Mel Reynolds, who resigned two mouths ago following a conviction for sexual harassment.

San Francisco's new mayor is Mr Willie Brown, who beat Mr Frank Jordan, the incumbent, in a run-off election to become the first black to run the city. Mr Brown, who spent half his 31 years in state politics as speaker, was forced to Leave the assembly due to California's term limits statute.

The Silicou Valley House seat previously beld by Congressman Norm Mineta, the Democrat who retired, went to Mr Tom Campbell, a former congressman and Stanford University professor.

His victory, along with Mr Jackson's, makes the composition of the House 236 Republicans, 198 Democrats and one independent. A new vacancy was created on Tuesday hy the resignation of Mr Walter Tucker, the Democrat, following his conviction for accepting bribes during his term as mayor of Compton, California.

Mr Jerry Estrich, the Democratic candidate for the Silicon Valley seat, had based his campaign on portraying Mr Campbell as a clone of Mr Newt Gingrich, the currently unpopular Speaker of tbe House. But the winner is a locally prominent moderate Republican, a supporter of both abortion and gay rights, and the charges against him never stuck.

While Mr Brown's victory is a confirmation of his political power in California, Mr Jackson has an opportunity to make an early mark in Washington, wbere a cbanging of the guard is much in evidence among politicians, regardless of party, colour or sex.

Earlier this week Congressman Kweisi Mfume of Maryland, a former bead of the black caucus, announced his resignation.

He became the 25th incumbent to give up a seat or not seek re-election. Like two otbers who have announced retirement in the last week – Ms Pat Schroeder, the Colorado Democrat and longest-serving congresswoman, and Mr Jack Fields, the Republican from Texas – be left the impression that soma of the thrill had gone out of life in politics.

BICC wins US rail contract

By Andrew Taylor, Construction Correspondent

BICC, the British engineering and construction group is today expected to announce a breakthrough in the US high-speed railway market following the award of a $320m electrification contract.

The contract to electrify Amtrak's 576-mile oortheast corridor between Boston, Massachusetts and New Haven, Connecticut, was won against stiff international and US competitioo.

Amtrak said the electrification was essential to cut travel times between New York and Boston and would set the scene for high-speed rail developments elsewhere in the US. Some $4bn is planned to be spent on such developments over the next few years, according to BICC.

Mr Alan Jones the group's chief executive, said the contract would cement BICC's position as a world leader in railway engineering following a recent large rise in orders in East Asia.

The contract, won in a joint venture with Mass Electric Construction of the US, is BICC's largest single US order since it started its US civil engineering subsidiary, Balfour Beatty Construction in the late 1980s.

Annual turnover of the subsidiary is running at about £170m. Other orders have included road and airport contracts in Florida and an $86m bridge contract, also for Amtrak, at Bridgeport Connecticut.

Five consortia originally hid for the electrification contract. These included Spie Group and Sofrerail of France and ABB, the Swiss-Swedish engineering group.

Balfour Kilpatrick, another BICC subsidiary, will jointly carry out the $160m UK share of the deal with Balfour Beatty Construction. The contract involves the supply and and installation of overbead catenary, switcbing stations and auxiliary cabling. Work is due to be completed by June 1999.

Other railway electrification orders recently won by Balfour Kilpatrick include a £17m contract to supply and install overhead catenary for the rail link to Hong Kong's new airport at Chek Lap Kok.

Surge in foreign investment recalls Brazil's past glories

A rush of foreign direct investment into Brazil is being enthusiastically tracked in São Paulo, the country's economic heart. Mr Raimundo Cbristians at accountant Price Waterhouse returned after two days away to find 19 electronic messages and seven telepbone queries about investment projects. Mr Octavio de Barros, an economist studying investment flows, says Brazil never had it so good.

"I've not seen this volume of announcements of new investment in 15 years of watching," he says.

Although foreign enthusiasm is a vote of confidence in Brazil, analysts and government ministers say the country is still far from recovering its former pre-eminence as an investment location.

Mr José Serra, planning minister, says Brazil has slipped behind Latin American countries such as Mexico in recent years, even though Brazil's economy is about twice the size. "This tendency has been cbanging, but it needs to change more rapidly," be says.

A long list of foreign companies has unveiled big investments in recent months. Car companies such as Renault and Mercedes Benz announced they were setting up new factories, while multinationals ranging from Coca-Cola to Compaq approved new or increased spending. In the first nine months of tbe year, direct investment inflows measured hy the central bank reached $2.2bn, equal to the 1994 total. Mr de Barros expects this year's figure to pass $3bn and next year's to be as high as $5bn once projects now approved get under way.

Motorola of the US is to build its biggest factory complex in Latin America near São Paulo. The first products to be made on the 1m sq m site include portable phones and pagers.

Motorola is coosidering building between 17 and 20 factory units, with each unit likely to require investment of $30m-$50m. Motorola said the timing and amount of investment wonld depend on the development of Brazil's telecoms market, one of the largest in the developing world.

Enthnsiasm is largely a result of Brazil's new, and still fragile, economic stability. Most companies say progress is likely to remain erratic, but the outlook is the most promising for years. The economy has grown since 1993, with a 4 per cent increase in GDP forecast for this year, while monthly inflation has fallen from nearly 50 per cent 18 months ago to less than 2 per cent last month.

Inflation's fall has greatly benefitted poorer members of Brazil's 160m population, and led to big increases in demand for basic consumer goods. Sales of canned drinks are growing 30 per cent a year, prompting three US-based aluminium can makers to build factories in Brazil and take on Latasa, the only maker already installed.

Investment is also being attracted by Mercosur, the customs union launcbed this year between Brazil, Argentina, Paraguay and Uruguay, which allows companies to make regional rather than country by country plans. Newcomers such as US brewer Anheuser-Busch, which paid about $100m for a 10 per cent stake in Brazil's second largest brewer, said the country's market was too big to ignore any longer.

Renewed foreign interest in Brazil is widely welcomed, hut has also highlighted bow mucb the country lost out because of economic problems in tbe 1980s. In 1982, Brazil received 21 per cent of all direct investment into the developing world – far more than any other country. Last year the figure was 3 per cent.

A further worry is that foreign direct investment announced since the Real's launch last year is dominated by carmakers such as Volkswagen, General Motors and Fiat. According to an industry ministry survey, the aotomotive sector accounts for about 40 per cent of contracted foreign investment this year and next.

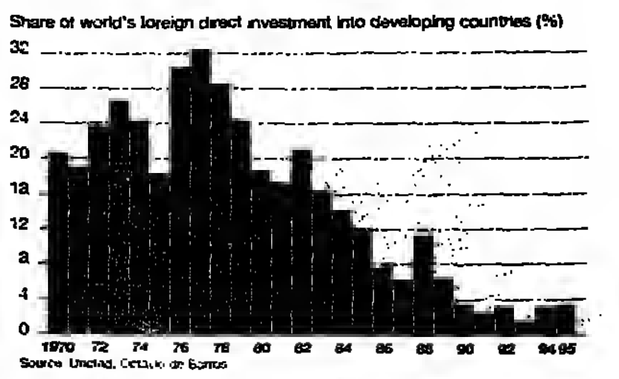
The biggest brakes to investment are lingering economic concerns and likely delays in reducing the cost of operating in Brazil. The government says it cannot reduce interest rates or devalue the Real until long term structural reforms are in place to safeguard its budget and the trade balance. With real annual interest rates above 20 per ceot, only companies with access to cash or foreign financing can afford to invest.

Longer term, the cost of doing business in Brazil must fall if the country is to regain its previous importance as an investment location. Companies groan about high wage and social security costs, some of the world's most expensive and least efficient ports and an education system which often obliges companies to re-educate new staff.

Businessmen say Brazil's competitors do not face these problems, or are better placed to tackle them. Last montb's announcement of limits on foreign involvement in cellular telephone concessions, a sector badly in need of foreign technology and investment, suggests the government does oot yet understand Brazil's disadvantages.

Angus Foster

Brazil: foreign direct investment



Investment intentions by sector, 1995-99 (US$m)

Cars	10,670
Metals	3,734
Pharmaceuticals	3,727
Electronics	2,515
Commerce	1,421
Paper	1,055
Food	867
Car parts	855
Drinks	836
Capital goods	394

Source: Ministry of Industry

Selective investments announced this year (US$m)

Volkswagen	Germany	2,500
Ford	US	2,500
Renault	France	1,000
Coca-Cola	US	1,000
Alcatel-Alsthom	France	1,000
Samsung	S Korea	800
Rhodia	France	468
Cargill	US	300
Philips	Netherlands	220
Carrefour	France	200

Source: Federal & state governments, companies

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ING BANK

US may target investors in Iran

By Nancy Dunne in Washington

The US Senate is set to approve legislatioo stepping up pressure on Iran by targeting foreign companies which invest in the country's oil and gas fields.

The legislation, sponsored by Senator Alfonse D'Amato, chairman of the Senate Banking Committee, is designed to punish Iran for its alleged sponsorship of terrorist groups and to slow its nuclear weapons programme. In negotiations with the Clinton administration, the bill was weakened and the focus was shifted from companies simply doing business with Iran to those who might invest there.

The European Union strongly condemned the earlier versions, echoes of the Cold War when the US frequently attempted to impose its policies on others through threats of business sanctions. Total, a French oil refiner which agreed to belp Iran develop gas and oil fields, was specifically warned of US concern in a letter from Senator D'Amato and Senator Daniel Inouye, a Hawaii Democrat.

Under the current bill, sanctions could be imposed against any foreign company which invests more than $40m in any 12 montb period or contributes "significantly and materially to the development of petroleum resources in Iran".

The president can choose at least one of four sanctions. He can direct the US Export-Import Bank not to extend financing in connections with the export of any goods or services to sanctioned companies, and he can deny US export licences for any goods sold to the companies. He can prohibit any US financial institution from making loans exceeding $10m in any 12-month period to sanctioned companies. Foreign banks which help finance Iran oil development could be prohibited from serving as primary dealers in US securities.

The president has the right to waive sanctions for reasons of national security or delay imposing them while trying to convince foreign governments to act against their own companies. A spokeswoman for the EU delegation in Washington said yesterday officials were studying the new version.

"It appears to be less objectionable," she said. "However, the EU is against any extraterritorial applications of US jurisdiction."

The Clinton administration has opposed the sanctions, but agreed to reconsider when one version of the legislation won the support of 42 senators. "Any time a hill is doing that well, we need to take note," an official said. The House of Representatives is considering stronger legislation, including a ban on imports from sanctioned countries.

Bureaucrats stifle Morocco renewal

Now king leads the call for change in a still vulnerable economy, writes Roula Khalaf

When three young Moroccan entrepreneurs broke into an entrenched financial industry in 1993 to set up a brokerage house serving international clients, the move was hailed as underlining Morocco's new status as an emergiog markat.

For six mooths this year, however, Upline Securities, which has acted as a main conduit of international portfolio investment on the Casablanca hourse, was deprived of its commission revenue hecause of a dispute with well-established hanks. The Moroccan government, which recently reformed financial services, took six months to step in and enforce the new law to resolve the problem.

"We were not asking for help, hut the administration says it wants to promote young entrepreneurs then it puts obstacles in our way," complains Mr Hassan Aitali, Upline's managing director.

At a time when Morocco has just agreed a partnership with the European Union and its private sector is asked to upgrade itself to survive in a competitive environment, attention is focused on the need to reform an inefficient and sprawling bureaucracy. For example, some 20 documents are required to register a business in Morocco and the procedure often takes more than six months. A law can take three years to pass.

The call for reform is coming from the top. Earlier this year, King Hassan, worried that economic gains achieved in the past 10 years were fading, commissioned a World Bank study on the economy. The result confirmed his suspicions and included an indictment of the administration as well as the country's education policy.

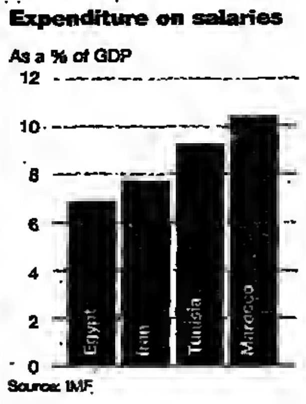
King Hassan: asked the World Bank for a report which confirmed his suspicions – then pnblished it

To everyone's surprise, the king made the report public in October, spurring a debate unheard of in most Arab countries.

Until recently, talk of reforming the administretion was muted as Morocco's economic management seemed on the right track. Between 1988 and 1994, thanks to an International Monetary Fund structural adjustment programme, the Moroccan economy grew at an average rate of 4.3 per cent, the budget deficit shrank to aboot 3.4 per cent of gross domestic product and maximum tariffs dropped from 200 per cent to 50 per cent.

This year's numbers, however, highlight the economy's vulnerability. With the agricultural sector accounting for nearly 50 per cent of employment, the economy remains at the mercy of rainfall. A severe drought looks set to turn the 11 per cent growth rate achieved in 1994 into a 5 per cent contraction tbis year. Inflation is running at 7 per cent, above tbe 5 per cent projected, and the budget deficit, targeted at 2.5 per cent of GDP, is set to reach 5 per cent. Meanwhile, unemployment, some 30 per cent among the young, continues to increase.

Expenditure on salaries



Source: IMF

Instead of cbanneling resources towards much needed Investment to help reduce dependence on agriculture, government funds have been feeding a bureaucracy that already accounts for 10 per cent of total GDP and 65 per cent of current spending after debt service charges. According to the World Bank, there are 27 state employees for every 1,000 citizens, compared with, for example, 25.2 in Egypt, 22.4 in Jordan and 19.3 in Argentina.

Employment is inefficiently spread across sectors. The World Bank notes that in secondary education there is one teacher for every 16 students while one rural administration has only 60 per cent of the engineers and 40 per cent of the technicians it needs.

Even when state funds seem to be going into investment, the results are disappointing. The state education system is a good case in point. Although it consumes a high 20 per cent of the state hudget, nearly 50 per cent of the population is illiterate, salaries eccount for the greater part of spending and the system prodoces studeots who do not respond to the needs of the market.

"Our technical training is not good enough," complains e private sector executive.

Corruption, a high degree of centralisation and an exaggerated level of control (Morocco attempts to control so much that it ends up controlling badly, says the World Bank) contribute to the inefficiency of the administration. For example, decision making in ministries is hampered by the fact tbat the ministry of finance has its own financial controllers in every ministry and they have to sign for every hudget item spent.

Meanwhile, the interior ministry, in addition to its normal functions, controls local governments as well as national transport, water distribution and electricity. The ministry's powers are such, says the World Bank, that a low-level official can overrule a much higher ooe from another ministry.

"Our administration was inherited from the 19tb century French administration, aod it was set up to he the basis for everything," says Mr Mohamed Kabbaj, the finance minister, whose ministry has not been spared its share of criticism in the World Bank report.

"Now that it is the whole society that participates in public life, we need to put the administration back in its right place. It should facilitate rather than complicate the citizen's life."

Mr Kabbaj says measures are already under way to streamline the bureaucracy, simplify rules and regulations and restructure employment. He cites as an example a new code of Investment, which will replace a series of regulations specific to various sectors and which have proved confusing for investors.

It is thanks to more of these measures that domestic and foreign Investors can take advantage of Morocco's new opening to Europe and help the ecooomy reach the minimum 7 per cent yearly annual growth the World Bank says is needed to maintain unemploymeot at acceptable levels.

S African unions strike over sell-off plans

By Roger Matthews in Johannesburg

Domestic air services, rail freight, and ports in South Africa were disrupted yesterday by workers striking in protest at the government's willingness to consider privatisation as part of its reorganisation of the public sector.

Sonth African Airways flights from Johannesbnrg, Cape Town and Durban were cancelled or delayed when cabin crews and groundstaff did not report for work, and at least 15,000 railway and other workers walked out.

Mr Sam Shilowa, general secretary of the Congress of South African Trade Uniona (Cosatu), said after addressing a rally outside Johannesburg's main railway station that the action was intended as a warning to the government not to take further unilateral action. "It underscores our rejection of privatisation and the anger that workers feel," he said.

"If the government does sttempt anything more, then we shall respond. We shall remain in e state of readiness. The government has already broken its word to us, and we wanted to be sure they understood our anger and rejection at what they have done."

Mr Shilowa was referring to the announcement last Thursday by Mr Thabo Mbeki, the deputy president, that the government was in fevour of seeking minority partners for Sonth African Airways, Telkom, and the airports company, and was prepared to sell two small airlines and the state road hanlage company.

Cosatn said this breached an agreement with the government that no decision would he anounced before overall policy objectives had been negotiated.

Ministers snbseqnently agreed to set up e special committee with union leaders to review the future of the state sector, and to place a moratorium on further government statements on the issne. Mr Shilowa said there was no conflict between mass action and the newly-agreed negotiations, and told his members the outcome would be decided by their strength and determination.

Cosatn's action yesterday mirrors its two weeks of mass protests early this year during negotiations on the draft labour bill when it eventually succeeded in winning most ot its demands.

Mr Shilowa said the dispute with the government did not pose any threat to the political alliance between the African National Congress, which heads the government of national unity, the Sonth African Communist party and Cosatu.

This was a view being pressed by business, he said, whicb was weiting with its cheqne books to buy up the best parts of the state sector.

INTERNATIONAL NEWS DIGEST

Egypt arrests UK citizen

Egypt announced yesterday that it had arrested a naturalised British citizen among more than 50 suspected Moslem militants in e nationwide sweep against extremist groups this week.

In a statement, the interior ministry said Mr Akram Abdelaziz Mahmoud al Sherif, who works as e taxi driver in Britain and has a British wife, was believed to be a leader of an operations unit working for the extremist group Jihad, which was planning attacks in Egypt. It said a large cache of weapons had also been seized.

The arrest comes soon after Egypt publicly warned Britain against harbouring members of Islamist extremist groups trying to overthrow the government of President Hosni Mubarak. Mr Hassan al Alfi, the interior minister, recently claimed militants in Egypt often received instructions and funding from leaders living in Britain.

Cairo is especially concerned about two men who are believed to be based in the UK: Mr Adel-Meguid Abdel Bari and Mr Yasser al Serri, both leaders of the Jihad group which claimed responsibility for last month's bombing of the Egyptian embassy in Pakistan. The interior ministry said yesterday it had evidence that Mr Bari had instructed Mr Sherif, the naturalised Briton, to set up a co-ordination centre in Egypt to plan attacks. *James Whittington, Cairo*

Iraq sanctions 'have not worked'

The Saudi prince who was joint commander of Gulf War allied forces said yesterday that the United Nations should look for an alternative to sanctions against Iraq because the punitive measures had not worked.

General Prince Khaled Bin Sultan told reporters after meeting Egypt's President Hosni Mubarak that sanctions imposed after the Iraqi invasion of Kuwait in 1990 had strengthened rather than weakened President Saddam Hussein's government.

"The sanctions hava not achieved their aim and we must look for another way. I am not against ending the sanctions on Iraq hut they are based on UN conventions and resolutions. . . . The alternative must come from the United Nations and from tbe only world superpower, the United States," Prince Khaled said. *Reuter, Cairo*

Palestinian registration starts

Registration of candidates for January's Palestinian elections starts today amid renewed efforts for a *modus vivendi* between the Palestine Liberation Organisation and the Islamic opposition Hamas.

The elections, the crucial second part of September's interim agreement between the PLO and Israel, are scheduled for January 20, after Israel's planned withdrawal from six West Bank towns and part of a seventh. It withdrew from the third town, Nablus, one day ahead of scbedule on Monday.

Palestinians in the West Bank, Gaza and East Jerusalem will vote for a president as well as lists of candidates to fill an 82-seat legislative council. Mr Arafat, deemed unbeatable for the presidency, has two challengers so far, a businessman from Hebron and a highly-respected woman from Ramallah who heads a local charity. *Mark Dennis, Jerusalem*

UN votes against N-testing

The United Nations general assembly, in a resolution clearly directed at France and China, has deplored current nuclear weapons tests and strongly urged an end to all such testing. The vote, passed late on Tuesday night, represented a small success, however, for a vigorous French campaign against the resolution. The 85 affirmative votes cast were 10 fewer than at the committee stage a month ago.

A number of African states whose leaders were lobbied personally by President Jacques Chirac at the recent Francophone summit meeting in Benin switched their votes into the "no" column. Some central American and Caribbean members were deliberately absent when voting was called.

Ten members of the EU voted against France, with Britain alone siding with France. Germany, Greece and Spain ebstained, as did the US. *Michael Littlejohns, New York*

Rwanda freezes aid accounts

The Rwandan governmeot yesterday froze bank accounts of several western aid agencies it had ordered to leave the country, Western aid officials said. Most agency officials declined to talk, but the director of Austria's relief programme, Mr Hermann Czetsch, told Reuters that more than $30,000 (£20,000) of his agency's funds had been frozen hy the Rwandan Bank of Commercial Development and Industry.

Officials at the French aid group Médecins du Monde said their phones had been cut as well. Wednesday's action followed a government decision on December 6 to throw out 38 aid agencies. Rwanda also suspended the work of 18 agencies pending investigations of charges of irregularities and asked agencies expelled to leave behind relief equipment destined for Rwanda. *Reuter, Kigali*

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The final filing date Is February 13, 1996 at 3:00 p.m., PST. If you wish to receive e copy of the RFP, please call in the USA (916) 326-3927 or Fax (916) 326-3248.

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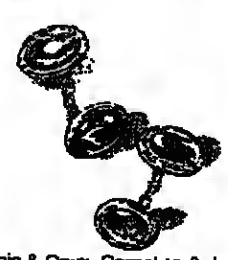

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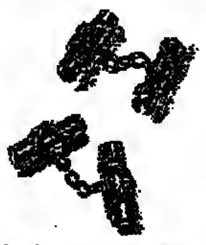

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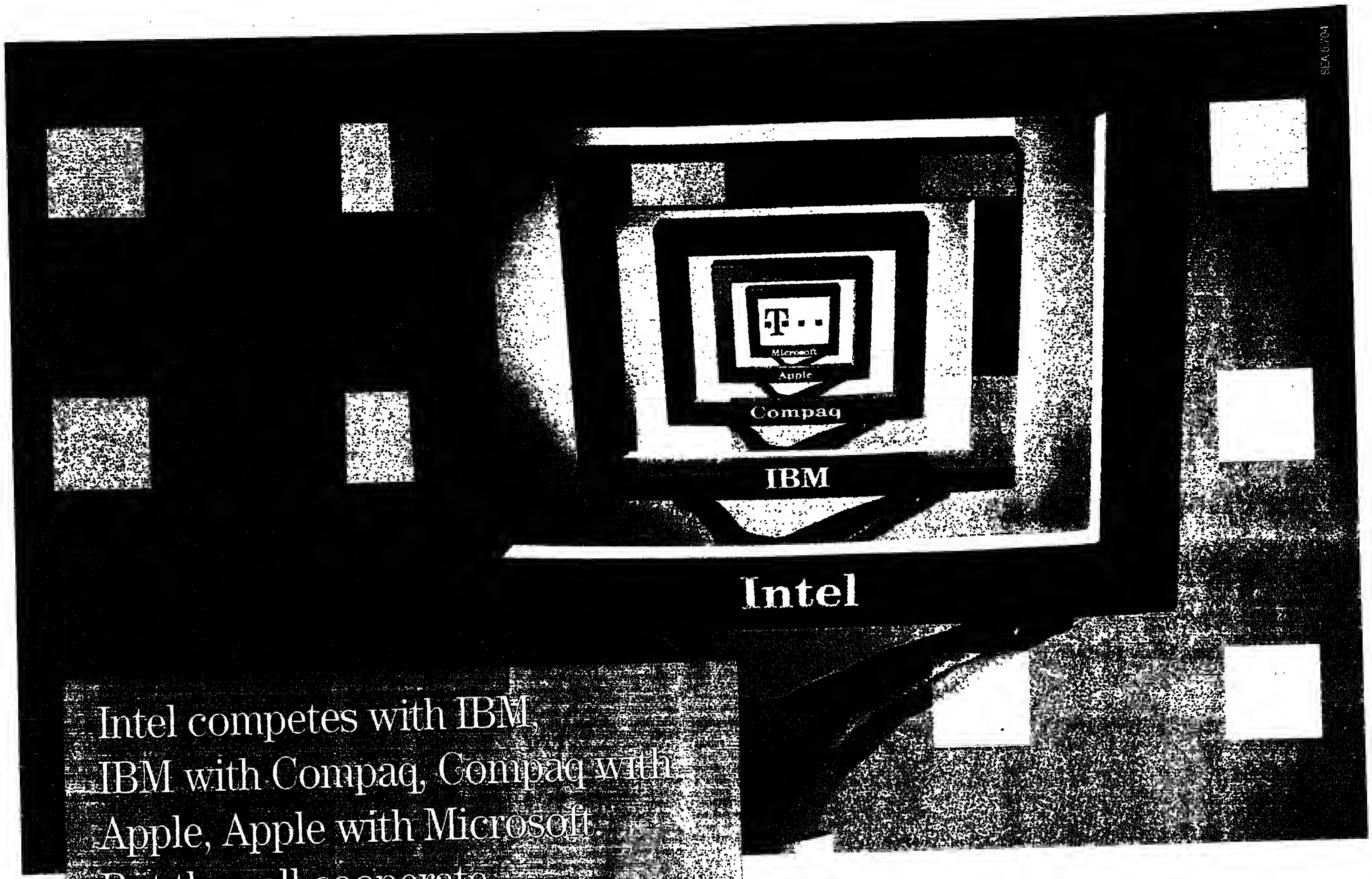

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NEWS: WORLD TRADE

WTO chief tries to avoid confrontation

By Frances Williams in Geneva

Mr Renato Ruggiero, director general of the World Trade Organisation, yesterday called for "a non-confrontational agenda" for the first WTO ministerial meeting in Singapore next December.

He also made clear his opposition to moves to raise the controversial issue of trade and labour standards.

Though Mr Ruggiero is known to favour an informal dialogue between WTO member countries un worker' rights, he fears that insistence by the US and some other western nations on discussing a "social clanse" in the WTO – fiercely opposed by most developing countries – could wreck the Singapore ministerial meeting.

Giving his first annual report on developments in the international trading system, the WTO chief said the multilateral system could only move forward on the basis of consensus.

Work in tbe International Labour Organisation and the OECD had shown "no agreement on the existence of a link between trade and the enforcement of labour standards".

The US and others have suggested that WTO sanctions could be invoked against countries hreaching basic worker rights such as freedom to form trade unions, and the prohibition of forced labour and child labour.

The Singapore meeting already has a crowded agenda, incinding a review of progress in implementing the Uruguay Round global trade agreements as well as possible new areas of work, such as investment rules and competition policy. In addition, the US yesterday proposed discussing corruption in trade.

Mr Ruggiero also emphasised the need to further WTO work on regionalism to ensure burgeoning regional trade arrangements do not handicap the development of multilateral rules.

In his report to the WTO's general council, Mr Ruggiero gave a mixed assessment of the world trade body's initial year of operation.

Though implementation of the Uruguay Round global trade agreements had been "broadly satisfactory" in most areas, "inadeqnate progress" had been made in some, he said.

In particular, fewer than a quarter of the WTO's 112 members have notified subsidy programmes as they are required to do.

Many smaller developing countries have also clearly had problems in meeting the 215 notification requirements under WTO accords.

The report also shows that anti-dumping and countervailing duty actions continue to play a prominent role in the trade regimes of the US and the European Union and, increasingly, of developing countries.

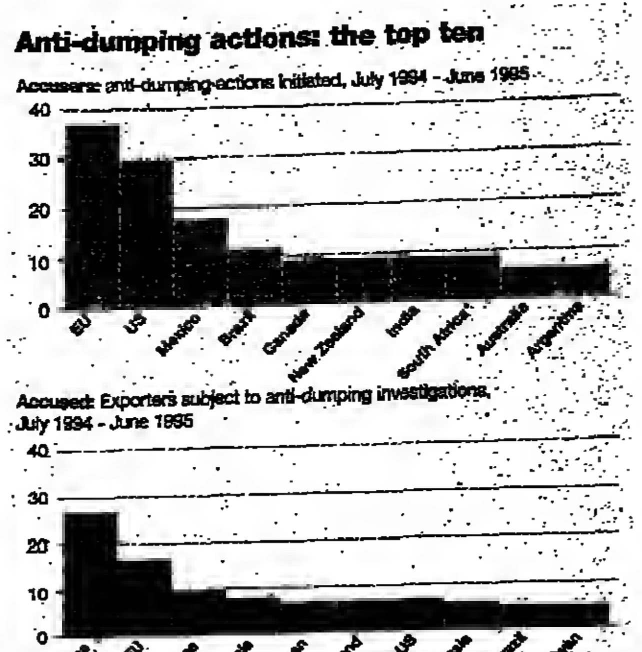
This is seen as a worrying trend by many trade analysts who regard such measures as a backdoor form of protection for uncompetitive domestic companies.

At the end of June, 128 anti-subsidy measures were in force, 80 per cent of them in the US. Of the 17 actions begun in the year to the end of June, EU companies were the targets in eight.

The EU led the field on anti-dumping actions over the same period, initiating 37, followed by the US with 30, Mexico (18) and Brazil (12).

Of the 805 measures in force on June 30 1995, 60 per cent were maintained by the US and EU.

China was the principal target (27 actions), followed by companies from the EU (17) and South Korea (10).



Mercosur and EU to pave way for accord

By Stephen Fidler, Latin America Editor

Heads of state from the four countries of Mercosur, the South American trade grouping that comprises Brazil, Argentina, Uruguay and Paraguay, are due to sign tonight a so-called co-operation agreement with European Union leaders in Madrid.

The Mercosur partners are together the largest Latin American market for EU exporters in Latin America, and the agreement is officially intended to pave the way for a free trade accord between the two regions to be signed by 2001. However, it involves no trade liberalisation measures nor any agreement to provide financial assistance to the Mercosur countries.

Mr Peter Siderman, co-ordinator at the Institute for European-Latin American Relations in Madrid, says tbe agreement is important in signalling Europe's long-term intentions towards Latin America, emphasising the EU does not intend to concentrate exclnsively on its immediate eastern and southern neighbours.

It also, he says, allows Europe to buy time with respect to trade liberalisation witb Mercosur. Entering a free trade agreement now, be points out, would mean that substantially all trade would have to be free by 2005.

Mercosur has recently run into internal difficulties but is expecting to expand, while the likelihood of EU agricultural reform by the end of the century is likely to defuse the emotive issue of farm trade between the regions. In 1994, 53.2 per cent of EU imports from Latin America came from Mercosur, a total of Ecu18.4bn ($23.7bn), while exports to Mercosur totalled Ecu16.4bn, 44.8 per cent of total sales to the Latin American region.

The idea of an EU-Mercosur accord was first raised in early 1994, when the EU was concerned about US intentions in Latin America.

Since then, the possibility of a further extension into South America of the North American Free Trade Agreement between the US, Canada and Mexico has receded. According to Mr Siderman, Europe remains worried about tbe aggressive pursuit by the US of export contracts in Latin America "but is under less pressure to rush into the signing of trade liberalisation agreements with Latin America."

There is also a political dimension. By envisaging a political dialogue on international issues, the accord theoretically allows the EU to seek support for its position in international organisations.

● The United Arab Emirates and the EU have signed an agreement to regulate their trade in textiles and garments. Mohammad al-Muzaki, the UAE commerce ministry's assistant undersecretary for trade, said the agreement did not involve quotas but allowed exporters and importers to regulate labels of origin and export permits.

Inquiry launched into A$1.5bn water contract

By Nikki Tait in Sydney, Peggy Hollinger in London and agencies

The Sonth Anstralian state government has launched an internal inquiry into the bidding for a pioneering A$1.5bn (US$1.1bn) water project widely seen as a model for further privatisation of the country's water industry.

The internal inquiry comes in the wake of growing controversy over the award of the contract to manage Adelaide's water and sewage systems to United Water, a consortium which is 95 per cent owned by Britain's Thames Water and France's Compagnie Générale des Eaux.

Tbe decision to award United the bid was fiercely contested by two other bidders – North West Water Australia, an offshoot of Britain's largest water company, North West Water, and a secood consortium called Sonth Australia Water Services.

The latter gronp's biggest shareholders are Lyonnaise des Eaux of France, Lend Lease of Australia, and P&O Australia.

It has recently been alleged that United was allowed to lodge its bid several bours later than its competitors.

This ensues on a parliamentary row which followed United's admission that the consortium would not necessarily be publicly floated, thus placing a significant proportion of its shares in Australian hands.

Thames Water admitted yesterday that the bid had been submitted four hours after tbe deadline.

Mr David Luffram, finance director, explained tbat this had bappened because of a breakdown in the computer which was processing the bid, and that the South Australian government had been notified.

"I understand that fact was notified to the other competitors, too," Mr Luffram declared.

However, the unsnccessful bidders yesterday denied any knowledge of the notification. One said the proper thing to have done would have been to extend the deadline if this had been the case.

There have been calls for the state's andttor-general to investigate wbether the two unsnccessful bidders were informed of United's late submission, and whether the Corporation Act had been breached.

Bnt yesterday, Mr Dean Brown, South Australia's state premier, said that Mr John Olsen, state infrastructure minister who is handling the contract, would investigate the allegations.

"I can assure you we won't sign a contract until we are fully satisfied on the process itself," Mr Brown said.

The 15-year contract is due to come into effect on Jannary 1.

The inquiry is unlikely to lead to an upheaval in Australia's water privatisation programme, however.

The contract is considered to be modest, although it is important as one of the first ontsourcing deals in Australia.

WORLD TRADE NEWS DIGEST

Tobacco group in Polish talks

Seita, the French tobacco company which was privatised earlier this year, is in negotiations concerning the possible acquisition of one of Poland's biggest cigarette producers.

Officials at the French group confirmed that talks were under way but said that no final decision had been taken concerning the acquisition of Radom. Polish press reports said that a deal could value the cigarette manufacturer at up to $100m and that Seita had taken a significant step towards an agreement by guaranteeing employment levels at Radom.

The Radom factory, in the centre of Poland, produces about 12.5bn cigarettes per year and has about 13 per cent of the market. Several other groups are thought to be interested in buying the Polish producer, including Philip Morris of the US and Tabacalera of Spain. Analysts played down the prospect of an imminent deal, but said an acquisition would be in line with Seita'a strategy of expanding in eastern Europe and developing markets. *John Ridding, Paris*

ABB to build storage tank

ABB, the Swiss-Swedish engineering group has won a $64m contract to build a natural gas storage tank for the Polish Gas and Oil Company (PGNiG), the state owned gas supply and exploration company, near Bydgoszcz in the north west of the country. The project will be financed through a World Bank loan. ABB Project and Trade Finance, the group's financial arm, has also organised a $96m loan with a consortium of lenders including the US Eximbank for the modernisation of an oil refinery in Perm, Russia, owned by Lukoil Permnefteorgsyntez.

ABB through its New jersey-based engineering and construction subsidiary, Abb Lummus Global, will provida the management, administration and procurement services for utilisation of the loan which will be used to raise the 14m tonne capacity refinery's fuel product yield from 71 to 87 per cent. *Christopher Bobinski, Warsaw*

Contracts and ventures

■ South China's Zhuhai special economic zone, near Macao, has contracted an Indonesian company to build a $3bn paper mill, the official People's Daily has reported identifying the Indonesian contractor only by a Chinese name, Jinguang Group. *Reuter, Beijing*

■ Caltex Petroleum said yesterday it had signed a contract with a firm in Shantou, in the south China province of Guangdong, to build the country's biggest liquefied petroleum gas project involving investmeot of $125m. *Reuter, Beijing*

■ Sanyo Electric's trading company Nissho Iwai and a Chinese electric company will form a joint venture in Dalian, northeast China, to make and sell air conditioners locally. Sanyo said that the venture, Dalian Sanyo Air Conditioner, will be owned 55 per cent by Sanyo, five per cent by Nissho, and the rest by Dalian Bingshan Group. *Reuter, Tokyo*

■ South Korea's Halla Engineering and Heavy Industries said yesterday it has signed a technical co-operation agreement with Germany's Siemens AG to make steam turbines and electric generators. Siemens will provide Halla with technology for steam turbines and generators, a Halla spokesman said. *Reuter, Taipei*

■ Israel's leading aluminium recycling company Alutherm and Kovohute Mnisek of the Czech Republic have invested $2.3m in a new plant located on the outskirts of Prague. Jerusalem-based Alutherm is exporting its aluminium processing system to the new plant, named Alutherm CZ, which is 65 per cent owned by Kovohute and 35 per cent by Alutherm. *Reuter, Tel Aviv*

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Repsol joins Trinidad gas venture

By David White in Madrid, Robert Corzine in London and Canute James in Kingston

Repsol, the Spanish oil and gas group, has agreed to take a 20 per cent stake in a $1bn venture to produce liquefied natural gas in Trinidad and Tobago, a project on which Spain is counting to diversify its gas supplies.

Its partners in the Atlantic LNG venture are Amoco of the US, which will have 34 per cent, British Gas with 26 per cent, the US Cabot group and the Trinidad company National Gas, each with 10 per cent. The gas will come from two offshore fields operated by Amoco.

Repsol's entry as a shareholder should help to push the two-year-old project forward. Officials in Trinidad say past negotiations among the original investors were marked by arguments between Amoco and British Gas, both of which wanted a majority stake in the plant.

The entry of Repsol follows an agreement this summer under which Spain's Enagas is to buy 40 per cent of the plant's production under a 20-year contract starting in 1999. Enagas, a formerly state-controlled gas supply, transport and storage company, was absorbed last year by Gas Natural, in which Repsol is the main shareholder with a 45 per cent stake.

The Trinidad venture is set to provide between 15 per cent and 20 per cent of Spain's natural gas requirements. This is designed to offset tbe country's overwbelming reliance on purchases from Algeria, a dependence due to be accentuated when the Maghreb pipeline through Morocco and across the Strait of Gibraltar comes on stream next year.

Spain's second source of gas has been Libya, but it has been building up supplies from other producers, notably Norway.

Production from the Trinidad plant – estimated at 3m tonnes a year, equivalent to about 12m cubic metres of gas a day, and dne to start in early 1999 – is to be split between the Spanish company and the Boston-based Cabot, which plans to take the remaining 60 per cent.

LNG exports are expected to earn Trinidad about $175m per year, government officials said.

Row over basic services mars Indian telecoms licensing

Mark Nicholson on a boost for cellphones but delay for mass network

The good news this week for the 90 per cent of India's 920m people without access to a telephone is tbat part of the government's ambitious plan to draw private investment into its telecommunications sector looks well on line.

Eighteen licences were awarded on Tuesday to seven Indian-foreign joint ventures to install cellular services in 18 regional "circles". Sncceessful bidders in 16 remaining zones should be granted their licences later this month, having requested a delay to arrange finance for the licence fee downpayment.

Cellphone services are already running in India's four biggest cities, the fruit of an earlier teoder. This week's licensing should offer competing cellular services – to those wbo can afford tbem – in almost all Indian states by next year.

But the bad news for tbe poorer millions waiting for telepbones on two- or three-year waiting lists is that the bigger and ultimately more important part of the government's plans, a parallel bidding round aimed at bringing private investment into mass, basic telephone services, has run into political controversy and deepening doubt over its commercial viability.

The political storm broke as India's opposition parties this week brought parliament to a halt demanding the sacking of Mr Suk Ram, tbe telecoms minister, who they say mishandled the tender to award basic services licences. They allege that Mr Ram changed the tender rules after initial bids were submitted for 20 basic service zones to favour Himachal Futuristic Communications Limited, a relatively unknown company from Mr Ram's home state which bad bid an astonishing Rs850bn ($25bn) to emerge as highest bidder in nine zones.

After all bids were opened – from 16 consortia, each an Indian-foreign joint venture – Mr Ram's department introduced a cap on the number of circles any one company could secure, ostensibly to prevent monopolies emerging. Tbis late change, the opposition alleges, let HFCL off the book of having to meet bids whicb industry observers believe the relatively small company could neither afford nor finance.

In addition, HFCL was allowed to select which circles it would retain and was therefore not obliged to take the most expensively bid zones; odd, the opposition argued, given that the whole idea of setting licence fees was to maximise government revenues from the process.

"The way the tenders have fallen has not exactly been transpareot," says a banker engaged io financing several telecoms bids. "There is ground for the government to explain exactly what it is doing."

India's opposition, both the rightwing Bbaratiya Janata Party and parties on the left, have been handed a potentially potent campaign issue before next year's general election. Accusations of corruption in the governing Congress party has long been a core opposition theme. Now both Mr Ram and the overall cooduct of the telephone tendering have become its focus, such that many gloomy telecoms executives now think the row could seriously delay the year-old privatising process.

"I can't see anything happening now before tbe election," says an adviser to one of six US telecoms companies eligible to rebid.

The process is furtber clouded and, in tbe view of many bidding companies, commercially debilitated by the telecoms ministry's decision to reject the original bids for 10 of the basic telephone circles on the grounds that they were too low. These the ministry is retendering in January for approval by February and has set reserve prices for each which exceed all previous highest bids. Rebidding will also take place for the five zones vacated after the cap on HFCL, since no other bidders in these circles chose to match HFCL's far higher bids.

Telecoms executives are also dismayed by the new reserve prices which, for some circles, are considerably higher than the original commercial bids, notably in poorer states such as Assam (Rs700m versus Rs14m), Himachal Pradesh (Rs800m versus Rs6m), or Uttar Pradesb, east zone (Rs5bn versus Rs40m).

Tbe government stontly defends its prices, which it says are based on its own cost, demand and earnings estimates, and says it always reserved the right to turn down bids it considered too low. "It's not a distress sale, I can afford to wait for better bids," says Mr R K Takkar, telecoms secretary.

But industry executives and bankers point ont that demand estimates in poorer, often rural states are sketchy and that in some states, such as Assam, the existing state telecoms service has never returned a profit.

Even witbout the present controversy, bankers have long been warning that some of the basic bids will not find financing.

"I don't expect more than five bidders this time," says the pessimistic head of a large Indian group who says his company will not rebid.

Mr Takkar says he is confident tbere will be bids for all circles, and tbat if there are not, there can be another retendering.

If he is wrong, the government would be in the embarrassing position of having received risky commercial bids to provide basic telephone investment in every Indian state, including some of the poorest, but, after changing the rules, having lost them.

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QVC response to soaring demand will create jobs for 950 phone operators in unemployment blackspot

TV shopping channel plans $21m expansion

By Ian Hamilton Fazey in Liverpool

QVC, the shopping channel launched on satellite television in Britain two years ago, plans to invest £14m ($21.4m) in a 11,250 sq m warehouse and a 4,500 sq m call centre in Knowsley Industrial Park near Kirkby in north-west England. About 1,100 jobs will be created initially, 950 of them for telephone operators running a 24-hour service.

The project will receive more than £6m of public funding, with regional selective assistance from the government and support from English Partnerships, the state regeneration agency.

Kirkby is one of Britain's most notorious unemployment blackspots with more than 30 per cent of adults out of work in some parts of the town. Building of the new complex will begin early next year, with a second phase – which would double the workforce – scheduled for late 1998. QVC is broadcast by British Sky Broadcasting, the satellite network in which the biggest stake is held by Mr Rupert Murdoch's media conglomerate. Knowsley is the northern newspaper printing base for News International, the conglomerate's UK subsidiary.

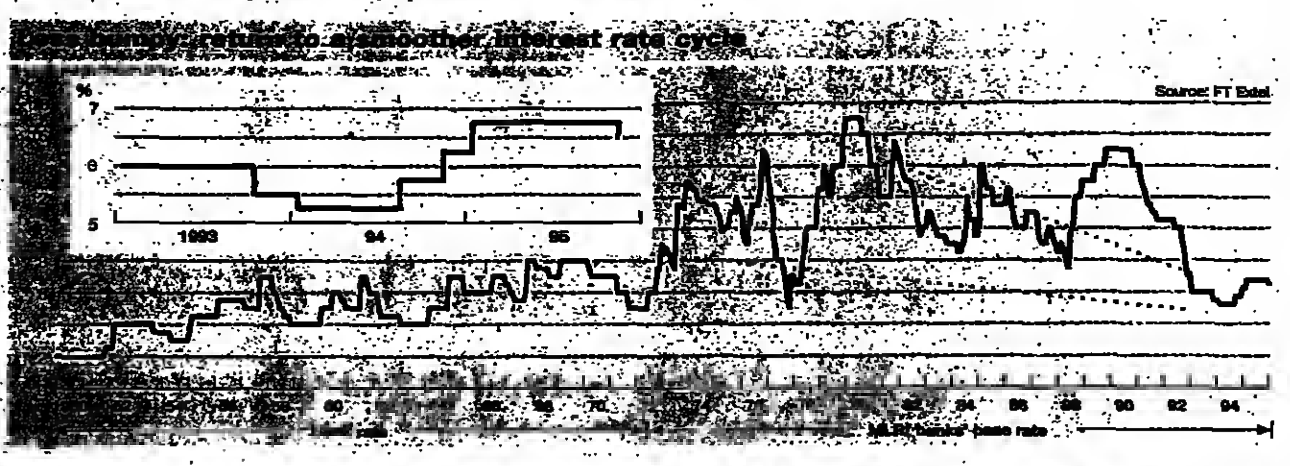
QVC, which generates $1.4bn a year in sales in the US, has been in the UK since 1993, when BSkyB took a 20 per cent stake in QVC UK. Television shopping grew quickly in the US in the late 1980s and early 1990s, with the biggest operators – QVC and Home Shopping Network – reaching combined annual sales of more than $2bn by 1991. Since then, however, their turnover has grown more slowly.

Growth has been slower to take off in Europe, and rapidly increased demand in Britain has persuaded QVC that it needs its own telephone sales and warehousing operation. It has been using McIntyre & King, a private company running a call centre and warehousing operation in the north-west England city of Liverpool. But QVC's sales in the third quarter this year were 106 per cent higher than in the comparable period of 1994 at £9.05m and it acquired 42,000 new customers in November.

It chose north-west England for its new operations after searching throughout the British Isles for a site. Ireland was a serious contender.

The economy Central bank governor concedes that government is on course to hit inflation target

Base rates fall for first time in almost two years



By Robert Chote, Economics Editor

Mr Kenneth Clarke, the chief finance minister, and Mr Eddie George, governor of the central bank, yesterday put on a deliberate show of unity as they cut interest rates for the first time in nearly two years. The cut was by a quarter of a percentage point to a level of 6.5 per cent.

The move triggered cuts in mortgage rates even though some lenders had already lowered them in anticipation. Many lenders' basic loan rates dropped below 7.5 per cent, the lowest level since the late 1960s. Mr George, who had requested an increase in interest rates only seven months ago, conceded for the first time that the government was on course to hit its current inflation target. He and the chancellor went out of their way to emphasise that they had both proposed a quarter point cut at yesterday's monthly monetary meeting.

Financial markets were reassured by the united front. They had feared that a quarter-point cut might signal a compromise to avoid the sort of open disagreement which followed Mr George's request in May for a rate rise. Prices in the interest rate futures market are pointing to another rate cut early next year. Sterling rose slightly yesterday against a basket of other currencies.

Mr Clarke said it was right to cut rates because the economy was growing at well below its long-term trend rate and because pressures on prices and costs were subdued. He told the House of Commons Treasury committee that his Budget forecast of 2.75 per cent growth this year was already looking over-optimistic.

Mr George added that third-quarter growth figures suggested that "the pause in the expansion may last longer".

Yesterday's cut had been widely expected in Westminster and the City of London after the lukewarm reception given to last month's Budget. The Labour party said it showed how weak the economy was.

The reduction followed three half-point increases since Mr Clarke started tightening policy in September last year. Unless Mr Clarke has to reverse yesterday's move, this would be the smallest rate rise to accompany an economic upturn since the 1950s.

Mr Clarke said he had decided to cut rates by a quarter point rather than a half because he expected growth to rebound in the second half of next year.

Retailers cheer rise in spending

By Graham Bowley, Economics Staff

A return to cold weather last month led to the largest rise in British retail spending since February, according to official figures published yesterday.

The Central Statistical Office said that retail sales volumes in November were a seasonally adjusted 0.6 per cent higher than in October and 1.1 per cent higher than in November last year.

The CSO said £3.3bn ($5.04bn) in current prices and on a non-seasonally adjusted basis passed through shopkeepers' tills each week on average last month – 4.3 per cent more than in November last year.

Unusually warm weather depressed spending in shops in September and October. But the CSO said that cold weather last month boosted sales of clothing and footwear. Sales of textiles, clothing and footwear – 2.7 per cent higher in November than they were in October – contributed most to the total rise in retail sales.

There were also rises in sales of household goods, which some economists suggested could be due to a pickup in home improvements on the back of a tentative recovery in the housing market.

In the three months to November sales of household goods were 3.8 per cent higher than in the previous three months.

Food sales remained weak. Sales of food were flat on the month and in the latest three months were 0.9 per cent lower than the previous three months.

Economists said the drop in food sales could have been caused by the sharp pickup in food prices recorded in recent months. Annual non-seasonal food price inflation was 4.8 per cent in October.

The figures are nevertheless likely to come as a relief to shopkeepers as a sign that consumer confidence may be returning in the run-up to Christmas.

The figures are in line with earlier evidence. Surveys by the Confederation of British Industry and the British Retail Consortium published earlier this month both pointed to growing confidence in the high street.

But City analysts cautioned against over-optimism. Mr David Walton, UK economist at Goldman Sachs, said: "The underlying trend remains weak".

In the three months to November retail sales volumes were only 0.1 per cent higher than in the previous three months. They were 0.4 per cent higher than in the same period last year.

Mr Richard Brown, deputy director-general of the British Chambers of Commerce, said: "The position on the high street remains relatively subdued. Much as we would like to see consumer confidence picking up, we are not seeing the beginning of a consumer boom."

Mortgage rates cut to lowest level for 25 years

By Alison Smith, Investment Correspondent

Halifax Building Society, the UK's largest mortgage lender, yesterday led a string of lenders in announcing mortgage rate cuts after the 0.25 percentage point cut in base interest rates, to produce the lowest rates for more than 25 years.

The move takes many lenders' rates to 7.49 per cent – the lowest mainstream rates since the 7.125 per cent available in the two-year period from May 1966 until spring 1968.

It is the third cut in the price of mortgages since early September when Abbey National, the home loans and banking group, led with a cut by 0.35 percentage points.

Mr David Gilchrist, Halifax corporate development director, said that the rate cut would benefit existing borrowers – about 2m of whom are on the standard variable rate – and would also help stimulate the housing market because mortgage repayments will absorb a smaller proportion of take-home pay.

Even though mortgages in general are already competitively priced, lenders believe the further cut will help to boost confidence.

While mortgage lenders were swift to announce new home loan rates – typically taking effect from early February – they were more reticent about the implications for savers. Reduced savers' rates are expected to be announced shortly, and the lower deposit rates may be applied before the main impact of the mortgage rate cut.

While other UK lenders have little option but to follow the Halifax move, it is clear some did not welcome it.

Brussels to announce support for ban on veal crates

By Caroline Southey in Brussels and Alison Maitland in London

Mr Franz Fischler, the EU agriculture commissioner, is expected next month to propose that veal crates for rearing calves should be banned by 2008, with tough new restrictions on their use in the meantime.

The proposals follow intense campaigning by British animal rights groups for an early ban on the use of the narrow pens in which calves' movements are restricted and they are fed on milk alone to produce white meat.

The changes have already run into French opposition in the Commission and are likely to be fiercely resisted by veal-producing countries in the agriculture council of EU ministers.

Commission proposals for a ban on crates tabled in 1989 were watered down by agriculture ministers during negotiations. The eventual 1991 directive on protection of calves set minimum standards but fell short of a ban.

This time Mr Fischler will be banking on evidence documented in a veterinary report due to be approved by the Commission tomorrow.

The report concludes that the welfare of calves is "very poor when they are kept in small individual pens" and recommends they be kept in groups. It says calves on a poorly balanced diet can have serious health problems and "all calves should be provided daily with water to drink."

Mr Fischler's proposals will be aimed at satisfying animal welfare groups while attempting to win over member states opposed to a total ban.

Britain banned veal crates in 1990, but it exports half a million calves to the continent each year.

Mr Fischler's proposals are expected to include a ban on building new crates or refurbishing existing ones after 1998 for calves over eight weeks.

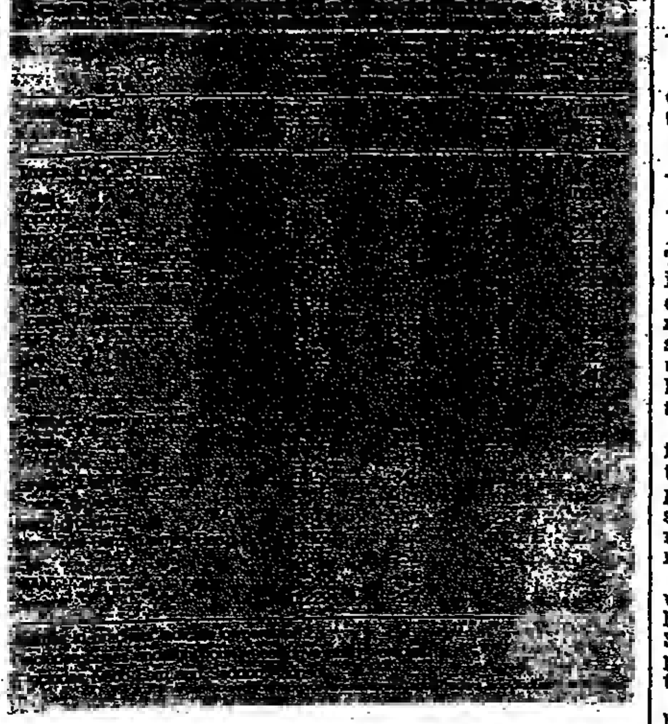
New pen sizes will also be proposed to allow enough space for calves to turn round and lie down with their legs stretched out.

Separately, the Commission is expected to introduce new feeding standards for calves, which will set minimum levels for nutritional and roughage intake.

● Britain's agriculture ministry is to consider compensation claims from importers of cattle that had to be slaughtered because of foot and mouth disease, following an investigation by the parliamentary ombudsman. His report criticised "maladministration" at the ministry for not informing farmers they were eligible for compensation.

Truck sales climb back to buoyant 1989 figure

By John Griffiths in London



Truck sales in the UK this year are poised to break through the 50,000 threshold for the first time since 1989.

This is in spite of registration figures for November confirming that the strong market recovery which had lasted for almost two years has run out of momentum.

Statistics from Britain's Society of Motor Manufacturers and Traders show that registrations of trucks over 3.5 tonnes, measured on a year-on-year basis, fell by 1.1 per cent to 4,853, compared with the previous November's figure of 4,905.

However, the latest figures lifted registrations for the first 11 months of the year to 49,065. This means that it is likely that full year sales will reach the upper end of the forecast of 50,000 to 52,000 trucks made by Iveco-Ford, the market leader.

The SMMT statistics show that total registrations of commercial vehicles, including vans and buses, rose by 4.8 per cent in November, to 20,784, from the previous November's 19,824.

This lifted total registrations for the first 11 months of the year to 236,191, up 9.7 per cent on the same period a year ago.

However, imports continued to take a growing share of the market, capturing 48.1 per cent of the November market compared with 42.8 per cent a year ago, and 45.5 per cent for the first 11 months, compared with 43.5 per cent in the same 1994 period.

Irish deputy PM says peace must not 'slip away'

The chance of a lasting peace in Northern Ireland, and the economic benefits that would result, must not be allowed to slip away, Mr Dick Spring, deputy prime minister of the Republic of Ireland, said yesterday.

He told businessmen in Belfast that President Bill Clinton's visit had drawn from the people an "almost palpable sense of hope and of determination that the peace will, and must hold"."

"The president has set a pace which has left the rest of us hard pressed to follow," Mr Spring said. "He sees our potential and is willing to take time to nurture it."

Mr Spring added: "It would be crazy if political failure were allowed to thwart the economic opportunities which now exist, or if the great international goodwill and interest which are so evident were to be allowed to dribble away."

The international body on "decommissioning" of paramilitary arms – headed by US Senator George Mitchell – will hold its first session in Belfast on Friday. The three-man body will receive representations from the British government, political parties and "other relevant persons" over two days before moving to Dublin.

The meetings mark the start of the twin-track process agreed last month by UK prime minister Mr John Major and his Irish counterpart Mr John Bruton. The international body will consider the "decommissioning" of paramilitary weapons while the two governments engage in preparatory talks with the Northern Ireland parties. Sen Mitchell's group is due to complete its report by mid January.

● Mr Michael Portillo, the British defence secretary, said yesterday that there were no immediate plans for further troop reductions in Northern Ireland. Despite predictions of heavy withdrawals, only 1,600 troops have gone so far, leaving 16,500 on station in the region.

UK NEWS DIGEST

Shake-up ahead for roads funding

Britain's entire main road network could be transferred into the ownership of one or more new corporations funded either by road tolls or higher fuel duty, says a confidential memorandum prepared by Sir George Young, transport secretary. This is one of the main options in his proposals for transport reform. The new roads corporations, which could be in either public or private ownership, would free the roads spending programme – slashed by one third in last month's Budget – from the annual public spending round. "Investment in roads would not need to be turned on and off according to the need for public spending restraint," Sir George said.

His preferred option is for a number of regional companies responsible for the construction, maintenance and operation of motorways, trunk roads and most local roads in an area. They would be financed largely by a charge to motorists linked to the amount of fuel bought in each region. An alternative option is for one or more corporations responsible for motorways and trunk roads which would be financed by a system of access charges varied according to the time of day and the cost of the network. Payments could be levied by requiring road users to buy a charge card.

Charles Batchelor, Transport Correspondent

MPs criticise bus industry

Tougher controls on the bus industry and the appointment of a regulator to curb abuses were recommended yesterday by an all-party committee of the House of Commons. The House transport committee said that, since deregulation in 1985, bus services were "in chaos" in some places and that 1.26m passenger journeys had been lost over the past decade.

Rivalry between bus companies had led to operators "banging on" at busy stops to pick up more passengers and racing ahead to stops known to be busy. New entrants often registered journeys just ahead of those of established operators, leading to continual retiming of departures in an attempt to gain an advantage. Deregulation had led to operators concentrating on the busiest routes in towns between 8h00 and 18h00 and neglecting other routes.

Charles Batchelor

Bargain for expatriates

The cost of living for expatriate employees in the UK is the lowest of any country in the European Union, says research from more than 300 international organisations. Britain ranks as the 34th most expensive place out of 67 countries, costing less than places such as Zaire, Russia and China. The survey, by Employment Conditions Abroad, is designed to provide employers with a means of calculating pay packages for expatriate employees. Its comparison is based on the prices of 117 consumer goods including food, transport and household appliances, and takes into account exchange rates. However, ECA excludes the cost of housing as it says this varies too widely to provide a useful comparison. Japan remains the most expensive posting overall, despite a 2.3 per cent decline in the cost of living. India ranks as the cheapest country, at less than a quarter of the cost of Japan. China rose from 24th to 18th position this year, as the cost of living increased by 10.4 per cent. In 1980 it was ranked the cheapest country in the survey. Nigeria fell from third to 63rd place, as the effect of a new market exchange rate outweighed a 66.3 per cent rise in the cost of living. Germany rose one place to 13th, while France climbed three places to 14th. A loaf of sliced white bread in Germany costs almost three times the price of the same loaf in the UK, while a bar of chocolate costs about the same in both countries. *Richard Wolffe, Personal Finance Staff*

Mitsubishi offshoot expands

Diaplastics (UK), a subsidiary of Mitsubishi of Japan, is to create 170 jobs in a £4.9m ($7.5m) expansion of its plant at Bridgend, south Wales. A 11,700 sq m factory will be built on land bought from the Welsh Development Agency. The company, which has been at Bridgend since 1987, has an existing workforce there of 320. The factory makes injection-moulded plastic cabinets and covers for Japanese consumer electronics companies in south Wales. *Roland Adburgham, Cardiff*

Rescued yard wins first order

Swan Hunter, the shipbuilding yard in north-east England, has won its first contract since the company's name and site were bought in June after two years in receivership. The company, in partnership with Shepherd Offshore and the Northumbrian Water Group subsidiary Northumbrian Environmental Management, is to dismantle Conoco's 8,500 tonne Viking Alpha gas extraction platform.

Chris Tighe, Newcastle-upon-Tyne

Sailors' swindle: A team of radio operators aboard the aircraft carrier Ark Royal cheated the Royal Navy out of more than £5,000 ($7,650) in telephone calls, a court martial was told. Thirteen sailors made dozens of calls to England while the ship patrolled the Adriatic last summer. The fraud was discovered when the final bill for the ship's Inmarsat satellite phone system did not match the calls sailors claimed they had made in the log book.

Funding Japan's start-ups

Evaluating new technologies has become essential for Japanese financial institutions trying to nurture start-ups and venture businesses.

Finance has been a substantial barrier for start-ups because of lack of collateral, including property and securities. The option for banks is to lend using the new products and technologies as collateral.

Sumitomo Bank has launched a joint venture with Bandai, the leading toy maker, to supply loans to start-ups. Using Bandai's expertise in the high-technology entertainment sector, the new company has been extending loans of up to Y100m (£633,000) based on technology or patent collateral. So far, the bank says, it has extended loans to companies manufacturing entertainment software, including games and music.

The Japan Development Bank, a state-run financial institution has also started to extend loans to venture businesses, securing technology patents, copyrights and trademarks as collateral. JDB says it has a wide network of engineers, corporate executives and academics who can evaluate the technologies, but it takes time and money.

Lending to start-ups will not be worthwhile for many private banks, says a JDB official, since the overall amount of loans and returns will be relatively small. Some bankers feel that they lack the expertise to evaluate patents, copyrights and design rights.

"The problem is when the company goes under and we are left with the technology or product rights as collateral. We can't sell it off since the venture business wouldn't have collapsed in the first place if the certain technology was in demand," says Tamon Higuchi at Sanwa Bank's venture support division.

Instead, his bank will offer non-collateral loans of up to Y100m to start-ups, placing a greater emphasis on the personalities involved and business potential.

Emiko Terazono

Litter in space

The amount of man-made debris orbiting the earth is becoming dangerous, writes **Miranda Eadie**

Debris from man's activities in space is strewn across the skies and poses an increasing threat to spacecraft and crew, according to a US National Research Council study, *Orbital Debris – A Technical Assessment*.

Because of the speeds at which debris orbits in space, a piece the size of a tennis ball is capable of shattering a satellite if it hits the right spot. A 1cm metal chip travelling with a relative velocity of 10km/s, which is typical of low earth orbit, could easily penetrate a space suit and kill an astronaut.

The study, conducted under a Nasa contract, claims there are more than 10,000 bits of debris the size of a tennis ball and tens of millions of smaller pieces orbiting the earth.

Much of this is found in and around the orbits most frequently used by satellites.

The majority of the debris is generated by explosions in space. These are either deliberate (created by the destruction of satellites for security reasons) or accidental (caused by the ignition of fuel left in spacecraft at the end of their functional lives).

A single explosion creates a huge amount of debris. When an Ariane rocket exploded in 1986, the US Space Command, which tracks and catalogues objects in space larger than 10cm, observed 465 objects. Scientists estimated that a further 2,300 smaller objects were also generated. Within four years this debris had spread out from its original orbit to form a shell around the earth.

Another substantial percentage of the debris is made up of non-functional spacecraft.

Since the launch of Sputnik in 1957, more than 4,500 spacecraft have been sent into space. Nearly 2,200 remain in orbit, of which only 450 are still functional.

Discarded rocket stages, material cast off during satellite launches and space missions, and fragments resulting from collisions in space make up the rest of the junk. The only debris currently returned to earth by man are crewed vehicles at the end of their missions and a few non-functional spacecraft in very low orbits.

Most of the debris in low orbits is removed from space by a natural cleaning process. It is slowed down by atmospheric drag, falls into denser regions of the atmosphere and is burnt up by the effects of air friction. Pieces of debris in orbits above 1,000km are only marginally subjected to this natural mechanism because atmospheric drag, which decreases with altitude, is too weak. As a consequence the debris may remain in orbit for hundreds, thousands or even millions of years.

The fear today is that certain orbits are becoming so populated that the so-called critical density may be reached, when the rate at which debris is produced by collisions overtakes the rate at which the sky can be cleaned by atmospheric drag.

Many scientists argue that this phenomenon, known as the cascading affect, may have been attained at several altitudes already, causing an increasing hazard for spacecraft.

Several models of the most heavily used orbits predict that even if all launches were to cease, collisions between existing space objects would eventually cause a gradual but exponential increase in the number of objects in space.

"Satellites such as ERS or the Hubble Space Telescope have a 1 per cent chance of being hit by a piece of debris 1cm in size during their functional lifetimes," says Walter Flury, expert on space debris at the European Space Agency. "The orbital impact of debris this size is equivalent to that of a fridge moving at a speed of 100 km/hr," he says.

"About 40 of the Shuttle windows have already been replaced because of particle impacts," says Flury. "Surfaces of other spacecraft retrieved from space have been found peppered with craters caused by man-made debris and meteoroids. However, no real damage has yet been confirmed."

Although meteoroids (shooting stars) often pit spacecraft surfaces, they do not pose the same threat as man-made debris because they are generally only a fraction of a millimetre and less dense, being composed of a material similar to sand.

In addition to presenting a collision hazard to space operations, orbital debris can have other unwanted effects, including leaving light trails on long-exposure astronomical photographs. Debris which is not burnt up on re-entering the atmosphere can also potentially harm people and property on the ground.

Although the latter is uncommon, there are a few examples. For instance, the US space station Skylab, which fell to the ground in 1979, left a trail of metal over a 1,000km swath of south-west Australia and the Indian Ocean. No one was hurt by the falling debris.

The NRC report states that although the threat posed by orbital debris is not yet great, it may become significant in some regions of space, with costly and virtually irreversible consequences.

There is particular concern that satellite constellations, such as Iridium, might aggravate the situation. Unlike typical satellite populations, which are spread out across hundreds of kilometres, these are clustered in narrow bands and could lead to increased break-ups due to collisions.

"We need to begin to address this problem now, while it is still manageable and the costs of dealing with it fairly low," says George Gleghorn, chair of the NRC committee.

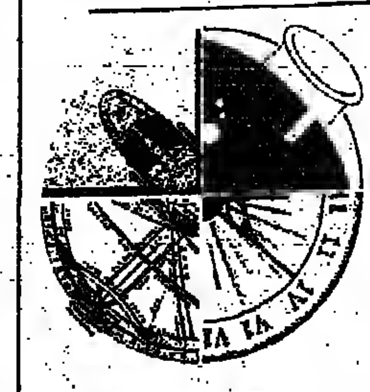
Since the active removal of debris from orbit – using laser evaporation or debris "sweeper" mechanisms – has proved technically and economically infeasible, preventative measures, which focus on reducing the future hazard, are now being suggested.

When spacecraft and rockets come to the end of their functional lives, they should be manoeuvred out of heavily trafficked orbits to avoid collisions, preferably into orbits that will carry them back into the earth's atmosphere, and any unused fuel should be dissipated to avoid explosions.

The release of objects such as clamps, lens covers and cables during spacecraft deployment and operations must be minimised.

Spacecraft carrying astronauts, such as the $30bn (£19bn) international space station, should be protected with shields, in spite of the fact that the additional weight will increase launch costs.

Worth Watching · Sheila Jones



Better drug delivery for chemotherapy

A new drug delivery system has improved the results of chemotherapy in patients with Kaposi's sarcoma, a serious complication of Aids.

The technique, developed at the Hebrew University, increases the amount of medicine reaching malignancies by enclosing it in microscopic balloons made of liposomes.

The Israeli team identified a liposome able to elude the body's defences for several days, allowing gradual release of the chemotherapy toxins and reducing side effects. In addition, liposomes tend to localise at imperfect blood vessels found in cancer tumours, thus avoiding healthy tissue.

The US Food and Drug Administration has approved use of the liposome-encased treatment, manufactured by Sequus of the US, for Kaposi's sarcoma. Phase Two trials in the treatment of cancers, including ovarian, and prostate cancer, are underway in the US, Israel and the UK.

Hebrew University: Israel, tel 2776677.

Polymer protection for components

A polymer coating designed to protect electronic components, such as microchips, has been developed at the Fraunhofer Institute for Applied Polymer Research. The film – about 100 nanometres thick – is produced by electrodeposition, in which the amino resins are broken down chemically by an electric current.

Polymers are continuously linked, then hardened until they produce a microscopically thin but unbroken electrolytic coating that is scratch-proof, water-repellent and resistant to chemicals. The developers say the technology can be readily integrated into microchip manufacture.

Fraunhofer Institute: Germany, tel 332846319.

Enzyme change may stop blood clots

US researchers say they have altered a blood enzyme, thrombin, in a way that could help to prevent blood clotting. The enzyme works as both a coagulant and anti-coagulant. Gilead Sciences, the biotechnology company, changed a single amino acid in the enzyme to make it act only as an anti-coagulant, the journal Nature reports. The anti-clotting action worked well in monkeys, with reversible and easily-controlled affects, the researchers say.

Gilead: US, tel, 800 445 3235.

Compound reduces effects of cocaine

It may be possible to immunise against the effects of cocaine, according to researchers in California. Immunisation of rats with a "new, stable cocaine conjugate" suppressed stereotypical behaviour patterns, such as increased movement, associated with cocaine, a powerfully addictive drug.

The compound also reduced the amount of cocaine reaching the brain, according to a report in the journal Nature today. Scientists at the Scripps Research Institute say the results suggest "a promising means by which to explore new treatments for cocaine abuse".

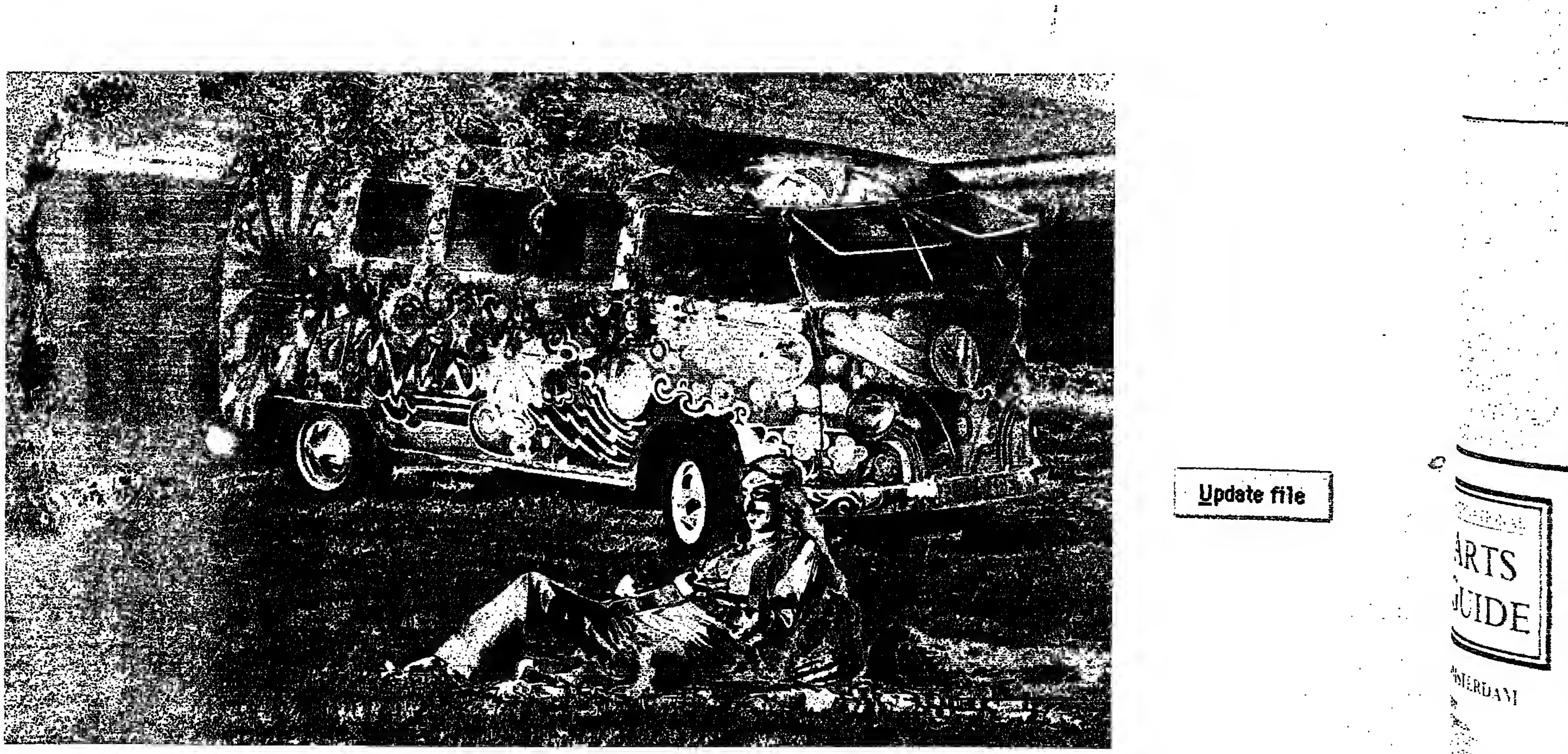
Scripps Research Institute: US, tel 619 784 7062.

Connections with memory molecules

German neuroscientists researching the way protein molecules make connections in the brain have identified a process of memory storage in the brains of fish.

A team at the Goethe University trained fish to respond to light to avoid receiving a mild electric shock. A protein – ependymin – was produced, which appeared to fix the lesson of electric shocks in the fish's brain. When the protein is blocked by injection, the fish forgets what it has learned.

Goethe University: Germany, tel 69 79824238.



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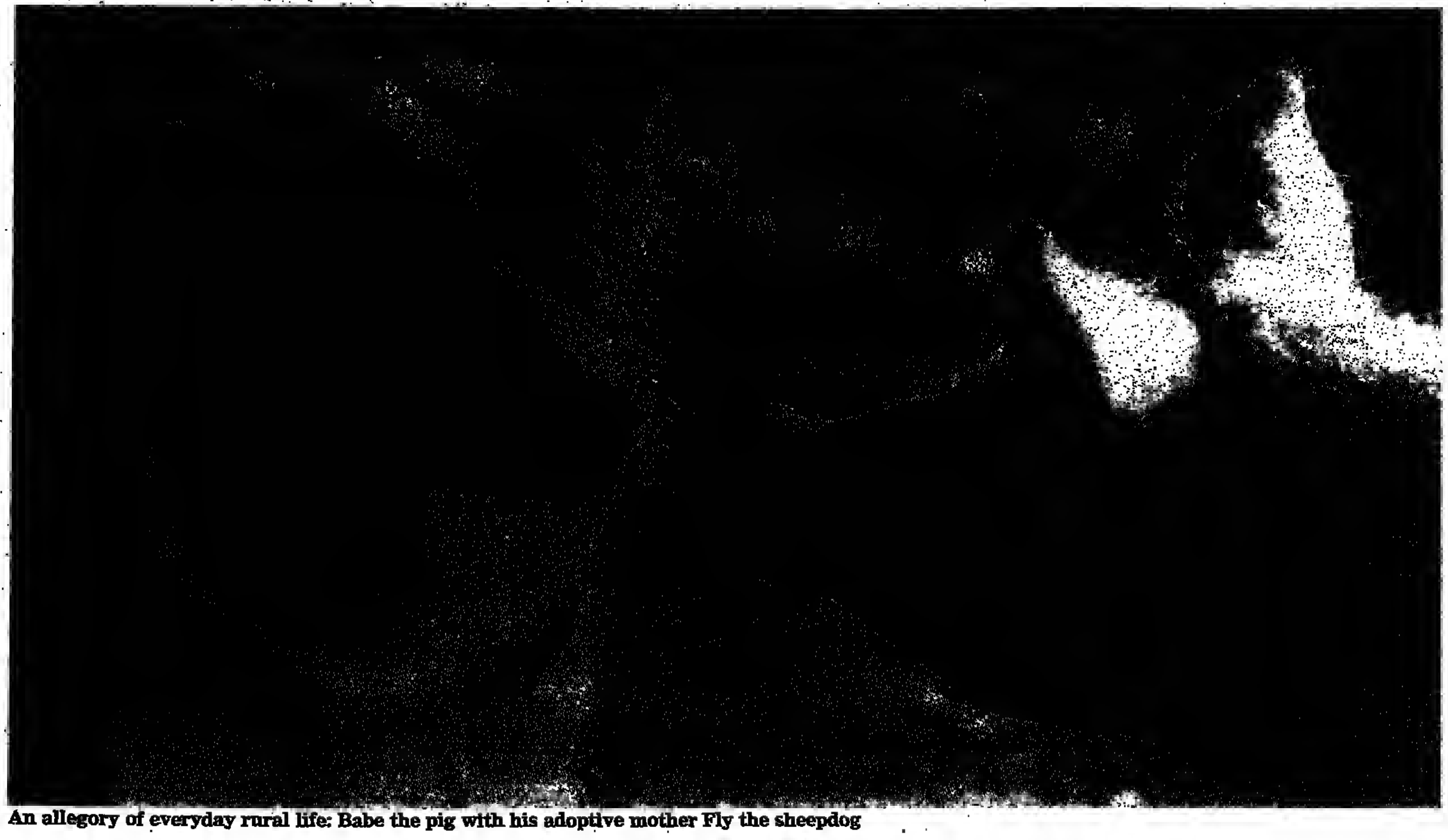

An allegory of everyday rural life: Babe the pig with his adoptive mother Fly the sheepdog

Cinema/Peter Aspden

A porker to suspend disbelief

It is that time of the movie-going year when disbelief has to be checked in et the box office; and this week's offerings pull the most fertile of imaginations into uncharted territory. There is a talking pig (!), a happily-married princess (!!) and, most ludicrous of all, Dolph Lundgren wearing a Franz Kafka sweatshirt and coming over all philosophical on the streets of Prague.

But more of Dolph'e trials later. Best to start with the relatively credible *Babe*, based on Dick King-Smith's splendidly entertaining tale of a baby piglet who is rescued from the slaughterhouse and is won in a competition by a sceptical Farmer Hoggett (James Cromwell). While Mrs Hoggett (Magda Szubanski) dreams of a very special Christmas dinner, Babe begins to bond with the other farm animals, most notably Fly the sheepdog, who becomes his adoptive mother.

In fact, Babe soon learns he has joined the farm at a sensitive time: Rex the patriarchal sheepdog is suffering from premature deafness, Ferdinand the duck thinks he is a rooster and is getting more subversive by the day, and Maa the ewe is fed up with her persecution by the dogs. In other words, an allegory of everyday rural life; but fortunately Babe's feeders have been seasoning his swill with chunks of the US Constitution, which teaches him to be unprejudiced, and boldly go where no pig has gone before.

He wonders why he cannot enter the house, where the domestic animals can curl up by the fire on winter nights; he fails to understand wby the sheepdogs are eo cruel to their flock; be has uot grasped that he and Ferdinand are effectively competing for the right to be frazzled to a crisp in festive sacrifice.

Finally, his curiosity leads him beyond the confines of the farm where he begins to understand the strange rituals of rounding up the sheep. But in sharp contrast to the sheepdogs, Babe believes in being nice – and soou he becomes the best sheep-controller on the farm. Farmer Hoggett notices his remarkable power – but does be dare enter him for the sheepdog trials? Or will his wife get a chance to practise her roast pork recipe after all?

Babe is quite the most winning family Christmas fable to have hit the screens for a long time, thanks to a script mercifully free of sentimentality and some brilliant special effects. The talking animals are achieved by a combination of moving models, puppets and live action, but the makers have not forgotten the importance of characterisation, which is deftly achieved. And you will never again feel the same about Parma ham.

★

More feelgood frolics in Martha Coolidge's *Three Wishes*, an intermittently charming tale of life in 1950s America, sprinkled with stardust and some unfortunate ersatz mysticism. Patrick Swayze virtually reprises his *Point Break* role as the Zen vagabond Jack, who is knocked down by a car driven by Korean war widow Jeanne (Mary Elizabeth Mastrantonio).

Jack is a lowdown, lonesome hobo, but relatively clean (Gap-clad rather than gap-toothed) and well-mannered, so Jeanne offers to put him np during his recuperation from a broken leg. Before long Jack and his mangy dog Betty Jane are scandalising the neigbbourbood with behaviour which would be *de rigueur* in present-day California (herbal teas, chanting, nude communion with nature), but shocks Jeanne's straight-laced friends and family.

More importantly for Jeanne, bowever, he is establishing a rapport with her two children Tom and Gunny, who miss their father. Jack's serene spirituality confronts suburban American values when he reluctantly takes över Tom's Little League baseball team. "Swing to miss," be advises the team's worst hitter; it works. "Slow the ball down in your mind, let it float," be tells the fielders; it works. Soon the entire team is sitting cross-legged and incanting before crucial games. The team nerd whispers: "Everything contains its opposite" before bitting a home run. The team Dads, bloated with beer and prejudice, are forced to eat their words. He is alright, Jack.

This is all quite good fun. Swayze and Mastrantonio keep a convincingly respectful distance between their mutual attraction and propriety, the period detail is precise, and there is nothing like an unlikely winning home run to lift a movie sagging in its middle reels. Frustratingly, just as a more profound exploration of the perils of bourgeois conformity threatens to make its presence felt, things get loopy: Jack's leg heals, there is some late-night snogging, Gunny gets cancer, Jack gets restless. Enter the three wishes and a pallid resolution of the film's intriguing themes. It goes something like this: it is cool to drop out, but even cooler to have a wife, two children and a house, even if you lose the house. I guess Hollywood calls that a compromise, but it seems pretty wholesome to me.

★

And now to Dolph and that Kafka sweatshirt, a breathtakingly audacious wardrobe decision which tells us that *The Shooter* is no ordinary action picture. Indeed Lundgren, playing US Federal Marshall Michael Dane, goes to some lengths to advertise his new-found sensitivity. Every time he falls over, he winces; every time he has to follow an order, he agonises. True to say that his pulled hamstring expression is remarkably similar to his ethical dilemma expression, but that is quibbling.

BABE (U) **Chris Noonan**
THREE WISHES (PG) **Martha Coolidge**
THE SHOOTER (18) **Ted Kotcheff**
THE TIE THAT BINDS (18) **Wesley Strick**
THE SWAN PRINCESS (U) **Richard Rich**

Dane is despatched to Prague to apprebend Simone Rosset (Maruschka Detmers), a beantiful French assassin who, a little like James Bond, likes wine, women and killing. But Dane is unconvinced that she is the guilty party (ethical dilemma expression). He tracks Simone down, they jump off a train (pulled hamstring expression), tend each other's wounds, talk about the Pragua spring. There is some nifty double-crossing and a shoot-out at a diplomatic summit featuring some extras left over from *Amadeus*. Dane does not know wbo to trust (several expressions all at once) but hands in his badge and (courtesy of a publicity misprint) "wlaks into the horizon a new man". Wlak on, Dolph.

★

The Tie That Binds, Wesley Strick's very poor, suspense-free thriller, at least has the bright idea of twinning the ever-flaky Daryl Hannah with the wild-eyed Keith Carradine as a criminal couple intent on recovering their child from respectable foster-parents Vincent Spano and Moira Kelly. Hannah would like to be the Virgin Mary; Carradine would like to be Dolpb Lundgren. They track down the goody-goody couple and attempt to hang them from the rafters of their soon-to-be dream bome – now *there* is a message about bourgeoisification. But they fail, and this turgid tale limps to its predictable conclusion.

★

The Swan Princess, Richard Ricb's pleasant animated fairy tale, surely flirts with some dangerous themes: Princess Odette is courted and impressed by young Prince Derek (?!), a dream diplomatic match, but she becomes disillusioned wben be admits he only wants to marry ber for her beauty (shame). But wben the evil Rothbart kidnaps Odette, they realise it was just a misunderstanding, and all they desire is to be together again. Before you can say Panorama interview, Derek performs a heroic rescue with the help of Speed the turtle and Jean-Bob the frog. Some nice numbers, good voices (including John Cleese and Jack Palance) but *what* a soppy ending. We know that real life is not like that.

Theatre/Alastair Macaulay

Blood-and-lust frolic in franglais

Cric! It is the most beautiful / Night for an orgy. *Crac!*... says tha French Queen's henchman as the lightning flashes. "*Oui, mes enfants*," says the King as be greets the citizens of Paris, "I shall cut all / Taxes in measure of my love for / You, *mes enfants*..."; and he promptly adds, to his new first minister, "You will raise a / New tax from the trades and guilds / Of Paris in order that this tax / Will pay for the old tax I have at / A stroke abolished." As the Queen says, at the tormented climactic turning-point of one long scene, "*Oui*... what?"

You would need a heart of stone not to chortle at some of this absurdity, and never have I heard, during an apparently serious play, so many first-nigbt guffaws as for the Almeida Theatre's production of *The Tower*, Charles Wood's new version of Alexandre Dumas's *Le Tour de Nesle* (1832). Wood keeps peppering these French people'e talk with real French, in the way that war movies used to have the Germans speaking English to each other with German accents. This is the Hercule Poirot mode of speech, whereby Frenchmen use English words for the tricky points and employ only those French words that any Englishman will understand. Or, as they say here in Act One scene 2, "*A moi!* Kill the bastard."

Then there are the flights of, er, poetry. "Man's honour, like glass," reflects Buridan, "shatters / At the compliant laugh; like snow, / It melts in the heat of a woman." (Try using the women of your acquaintance for melting recent snowdrifts; but take care to keep compliant laughter away from your glassware.)

It is uonetheless possible that Wood's text (just published by Oberon Books) could be delicious in a *Prisoner of Zenda* sort of way, for all its lack of feck. Dumas's play has melodrama, it has swashbuckling, it has royalty, it has adulterous love, it has political ambition, it has plot. Boy, does it have plot. The beautiful Queen of France is a Lucrezia Borgia type, a queen bee who secretly takes beautiful male lovers for a night and then has them killed and dropped into the Seine. The play not only shows how she gets herself enmeshed in her own nets, it also unravels the distant past that has made her into the woman she has become. And what an ending! I never thought anything could top that famous line "Dead! and never called me mother!", but *The Tower* proves me wrong.

But is Howard Davies the right director for glamorous old-fashioned blood-and-lust frolic of this ilk? John Napier's set has the measure of the melodrama, with portcullises and balconies and nnde meu sculpted in bas-relief into the walls of the central spiral staircase. So does Jonathan Dove's music, handsomely scored for harp and 'cello (plus rather too much of the tubular bells). Members of the cast, however, act in a motley range of styles: some plod along as if embarrassed by the *franglais* and heightened language, soma play with glamorously suave assurance through all that, some pose and add campery where none is needed.

There are, admittedly, passages when nothing short of Gloria Swanson, Basil Rathboue and Errol Flynn would do. True, Sinead Cusack, as the Queen, puts in a good bid at one moment to be considered for the Swanson role in *Sunset Boulevard*. Elsewhere, bowever, Cusack – returning to the London stage after some years' absence – does generally stylish work against all the odds. She often commands the audieuce's attention through potentially ludicrous moments. The same can be said for almost nobody else onstage. But what Englisb actors could bring off lines such as "In what respect do I prosper, these / Nights? How? Give me gain? Did I / Not... what?" "What say you?" says one character: to which comes the reply "*Oui*."

Almeida Theatre, London N1.

London recitals

Goode and Cerovsek

Richard Goode has been playing the complete cycle of Beethoven's piano sonatas to rapt audiences in London, Frankfurt and Hanover since '93, and is only now about to conclude. The 32 sonatas are endlessly rewarding, and there is no Beethoven pianist more rewarding than Goode.

Better yon should hear him than read me: there were a few empty seats in the Queen Elizabeth Hall for his penultimate recital last Wednesday, so try for the fiual instalment this Saturday. Goode's cycle has uot been a straight chronological run, but a deft mixing-and-matching of early, middle and late Beethoven: Saturday will take us from opus 2 to opus 111, the last sonata, via the "Waldstein" and the tremulous, fascinating little F-sharp Sonata, op. 78.

Goode is a rumpled, avuncular American, who can often be seen to mouth *bom, bimbim bom! bimbim bom!* while playing passages in which he takes especial pleasure. With athletic delicacy he aims at the exact piano-sounds that will articulate Beethoven's music for modern ears. Even in soulful *legato* and in fast, finger-y counterpoint, he never makes the modern virtuoso's mistake of rendering it like fluid Chopin: there are always sinews and knuckles audible just under the surface, the better to reveal the structures that count.

Last Wednesday he delivered the op. 106 "Hammerklavier" Sonata, an awesome brute of a piece – at least for the pianist, and often for the audience too – as the *pièce de résistance* of a slightly whimsical programme, starting with the G major Sonatina on which so many budding pianists bave cut their teeth. Many grown-up pianists have *broken* their teeth on the grandly intricate 3-voice fugue in the "Hammerklavier". Witb typical forthrightness, Goode propped a miniature photocopy of the score in front of him as a safety net, and proceeded to deliver as pithy, searching and beautiful an account of the music as I bave beard.

Last Saturday a mnch younger virtuoso made bis Wigmore Hall debut, amid a burgeoning American career: violinist Corey Cerovsek, 23, wbose contributions to the Kuhmo Chamber Music Festival this summer were outstanding. Playing some of the same music at the Wigmore, be had his elder sister Katja for pianist. They must have been a natural duo from early years, bnt I tbink they bave stopped listening to each other.

The result here was slightly disappointing. Cerovsek's impeccable *élan* in the early Strauss sonata got laborious support from the piano, and bland metronomic rhythms for Bartók's 1st Rhapsody wben his violin was revelling in taut off-balance springs. In Ysaÿe's unaccompanied E major Sonata, Cerovsek was superbly accomplished – if basty: wben be indents his paragrapbs more deliberately, tbe music sbould expand.

David Murray

Clash at the RPO

The Royal Philharmonic Orchestra, a co-operative owned by its musicians, has dispensed with the services of its managing director, Paul Findlay, and bead of public affairs, Ewan Balfour.

The RPO will be temporarily run by chairman, John Bimson, the principal horn player. Bimson cited "irreconcilable problems with Findlay and Balfour's management, together with the orchestra's increasing deficit". The RPO's residencies at the Albert Hall and in Nottingham will continue.

INTERNATIONAL

ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw
Tel: 31-20-5730573
● Prazak Quartet: perform works by Haydn, Schulhoff and Beethoven; 8.15pm; Dec 15

■ BERLIN

CONCERT
Konzerthaus
Tel: 49-30-203092100/01
● Berliner Sinfonie-Orchester: with conductor Michael Schoenwandt and pianist Zoltán Kocsis perform works by Glazunov, Mozart and Tchaikovsky; 8pm; Dec 16, 17 (4pm)
● Maxim Vengerov and Itamar Golan: the violinist and pianist perform works by Mozart, Beethoven, Prokofiev and Shostakovich; 7.30pm; Dec 16
OPERA & OPERETTA
Deutsche Oper Berlin
Tel: 49-30-3438401
● Hänsel und Gretel: by Humperdinck. Conducted by Hans Hilsdorf and performed by the Deutsche Oper Berlin. Soloists include Gerd Feldhoff and Karan Armstrong; 7pm; Dec 15, 20 (7.30pm), 26 (3.30pm)
Komische Oper Tel: 49-30-202600
● Die Entführung aus dem Serail: by Mozart. Conducted by Kreizberg and performed by the Komische Oper; 7pm; Dec 15, 20
Staatsoper unter den Linden
Tel: 49-30-2082861
● Hänsel und Gretel: by Humperdinck. Conducted by Fabio Luisi and performed by the Staatsoper unter den Linden. Soloists include Bernd Zettisch, Barbara Bornemann and Dagmar Pecková; 7pm; Dec 16

■ BONN

DANCE
Oper der Stadt Bonn
Tel: 49-228-7281
● Ein Sommernachtstraum: a choreography by Vàmos to music by Mendelssohn, performed by the Ballett Bonn. The conductor is Shuja Okatsu; 8pm; Dec 16
OPERA & OPERETTA
Oper der Stadt Bonn
Tel: 49-228-7281
● La Rondine: by Puccini. Conducted by Eugene Kohn and performed by the Oper Bonn; 7pm; Dec 17, 20 (8pm)

■ DRESDEN

EXHIBITION
Albertinum Tel: 49-351-4953056
● Willi Baumeister - Der Zeichner: retrospective exhibition of drawings by this German abstract artist (1889 - 1955). The display comprises around 130 works; from Dec 17 to Feb 20

■ FRANKFURT

CONCERT
Jahrhunderthalle Hoechst
Tel: 49-69-3601240
● Messiah: by Handel. Performed by The Academy of Ancient Music and the New College Choir, Oxford, conducted by Christopher Hogwood. Soloists include soprano Emma Kirkby, mezzo-soprano Catherine Robbin and bass David Thomas; 8pm; Dec 20

■ GENEVA

DANCE
Grand Casino Tel: 41-22-7319811
● The Swan Lake: ballet to music by Tchaikovsky performed by the City Ballet of St. Petersburg; 8.30pm; Dec 16

■ GOTHENBURG

DANCE
Göteborgs Operan
Tel: 46-31-108000
● The Snowman: a choreography by North to music by Blake, performed by the Gothenburg Ballet. Based on Raymond Brigg's book; 1pm & 3pm; Dec 16 (3pm & 5pm), 17 (3pm & 5pm), 21, 22, 26, 27, 28, 29 (only 1pm), 30

■ HAMBURG

OPERA & OPERETTA
Hamburgische Staatsoper
Tel: 49-40-351721
● Hänsel und Gretel: by Humperdinck. Conducted by Gregor Bühl and performed by the Hamburg Oper. Soloists include Yoko Kawahara-Stobinski, Eike Wilm Schulte, Renate Spingler, Sabine Ritterbusch and Frieder Stricker; 8pm; Dec 16

■ LEIPZIG

OPERA & OPERETTA
Oper Leipzig Tel: 49-341-1261261
● Carmen: by Bizet. Conducted by Krüger and performed by the Oper Leipzig and the Gewandhausorchester; 7.30pm; Dec 15

■ LONDON

CONCERT
Barbican Hall Tel: 44-171-6388891
● Christmas Carol Concert: with the London Symphony Orchestra, conducted by Richard Hickox, the London Symphony Chorus and baritone Thomas Allen. The programme includes works by Cornelius, Harold Darke, Humperdinck and Tchaikovsky; 7.30pm; Dec 17, 19, 20
Queen Elizabeth Hall
Tel: 44-171-9604242
● Orchestra of the Age of Enlightenment: with conductor Paavo Järvi and violinist Thomas Zehetmair perform works by Berwald, Mendelssohn and R. Schumann; 7.45pm; Dec 20
Royal Festival Hall
Tel: 44-171-9604242
● The London Philharmonic: with conductor Alexander Lazarev and pianist Nikolai Demidenko perform works by Rimsky-Korsakov, Prokofiev and Tchaikovsky; 7.30pm; Dec 15
DANCE
Royal Festival Hall
Tel: 44-171-9604242
● The Nutcracker: ballet to music by Tchaikovsky, performed by the English National Ballet; 2.30pm & 7.30pm; Dec 16 only 7.30pm; not on Dec 24, 25; from Dec 16 to Dec 30

■ MADRID

CONCERT
Auditorio Nacional de Música
Tel: 34-1-3370100
● Asociación Filarmónica de Madrid: with conductor Mstislav Rostropovich and pianist Igor Uryash perform works by Brahms and Prokofiev; 10.30pm; Dec 16

■ NEW YORK

CONCERT
Carnegie Hall Tel: 1-212-247-7800
● L'Enfance du Christ: by Berlioz. Performed by the Orchestra of St. Luke's, conducted by Charles Mackerras, and The Canticum Novum Festival Singers. Soloists include mezzo-soprano Lorraine Hunt, tenor John Aler, baritone William Sharpe and bass-baritone John Cheek; 8pm; Dec 16

■ PARIS

CONCERT
Théâtre des Champs-Elysées
Tel: 33-1 49 52 50 50
● Ferruccio Furlanetto: accompanied by pianist Alexis Weissenberg. Tha baritone performs works by Rachmaninov and Mussorgsky; 8.30pm; Dec 16
EXHIBITION
Musée d'Art Moderne de la Ville de Paris Tel: 33-1 53 67 40 00
● Passions privées: exhibition of modern and contemporary art from French private collections; from Dec 16 to Mar 24
THEATRE
Comédie Française, Salle Richelieu Tel: 33-1 40 15 00 15
● L'Echange: by Claudel. Directed by Jean Dautremay, starring Claire Vernet, Muriel Mayette, Eric Ruf and Bruno Raffaelli; 8.30pm; Dec 15, 16, 20, 26, 29 (2.30pm)

■ SAN DIEGO

EXHIBITION
San Diego Museum of Art
Tel: 1-619-232-7931
● Rodin: Sculpture from the B. Gerald Cantor Collection: exhibition of 52 sculptures by Rodin, including "The Thinker" and "The Kiss"; from Dec 16 to Mar 31

■ STUTTGART

EXHIBITION
Staatsgalerie Stuttgart
Tel: 49-711-2124050
● Picasso'e World of Children: exhibition of around 170 works (canvases, sculptures, prints, drawings, gouaches) from public and private collections in Europe and the US, focusing on Picasso's depictions of children by Picasso through his entire career; from Dec 16 to Mar 10

■ VIENNA

OPERA & OPERETTA
Wiener Staatsoper
Tel: 43-1-514442960
● Le Nozze di Figaro: by Mozart. Conducted by Leopold Hager and performed by the Wiener Staatsoper. Soloists include Juliane Banse, Angelika Kirchschlager and William Shimell; 7pm; Dec 20

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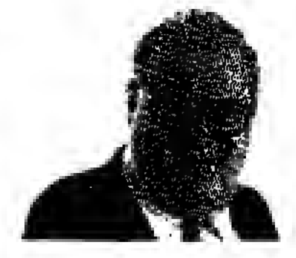
Financial Times Business Tonight



Economic Viewpoint · **Samuel Brittan**

A prophet in a cold climate

Exaggerated fear of inflation risks giving policy a more restrictive bias than strictly necessary

No efforts have been spared to underline the harmony in which the British chancellor of the exchequer and the governor of the Bank of England both came to the conclusion that what the economy needed was a cut of 0.25 percentage points in base rates.

But I doubt if the market reaction would have been very different if Eddie George, the governor, had opposed the cut. For the Bank's prestige is not what it was when he was refused a base rate increase in early May. There is a built-in contradiction in present methods: the Bank is required both to provide impartial forecasts and to be the nation's anti-inflation watchdog, resolving doubts in favour of caution.

How good a prophet has the Bank of England been since it started its inflation reports in the spring of 1993? The Bank's own post-mortems do not go back far enough. So I have tried to carry out a proper post-mortem. The Bank has been most helpful in providing the back data.

The Bank normally projects inflation for seven or eight quarters ahead. Inflation is of course measured by the retail prices index compared with a year ago, excluding mortgage interest payments, in line with the government's own target.

As the main result is a bewilderingly large table, may I explain the best way to read it? It is simplest to start first by reading down the columns. For instance, look at the column headed May 1994. The first number given is the most recent inflation rate the Bank had available, measured by comparison with a year before. This was 2.7 per cent in the first quarter of 1994. The Bank saw this rate rising steadily to 3.4 per cent in mid 1995 and then slightly declining.

Before concluding that the Bank was unduly pessimistic, there is one qualification. The Bank assumes that interest rates remain unchanged however much it thinks they should or will change. In the closing months of 1994 and the early months of 1995, Eddie George persuaded Kenneth Clarke, the chancellor, to raise base rates by a full 1½ percentage points. It is thus possible for Bank advocates to attribute the failure of inflation to rise along the predicted path to a pre-emptive strike on the interest rate front.

The same cannot be said for the inflation projection issued in May 1995. This was the famous occasion when the chancellor refused the governor's request for an interest rate increase. So far, however, inflation has been a few decimal points below what the Bank predicted; and the odds are that it will not reach the 3.7 per cent peak originally expected for next year.

There is, however, another way to read the chart: horizontally. The rows give for each quarter the inflation rate predicted for it at various times. Take for instance the third quarter of 1994. In its first inflation report, the Bank expected the rate in that quarter to reach 3.4 per cent. The predictions then fluctuated by decimal points in both directions until the New Year of 1994 when the Bank started reducing its forecast, although never to quite the 2.2 per cent actual turnout.

Readers who are bored over Christmas can doubtless spin many more patterns out of these figures. But they should bear in mind some important background. This is that the inflation rate has over the whole period been sensationally low by comparison with almost any part of the postwar period. If we take 1953-73, the first two decades of postwar normality, the inflation rate was well over 4 per cent. During the post-oil shock period of 1973-79 it soared to 10½ per cent. Even over the Thatcher period of 1979-90 it still averaged more than 7 per cent.

The inflation rate then plunged under the combined influence of an unexpectedly severe recession and the straitjacket of ERM membership at what was described as a "challenging" exchange rate. But although Britain was forced to leave the ERM and sterling depreciated, the shock effect has persisted. Inflation during the three years since the autumn of 1992, when the target regime has been in operation, has averaged 2.4 per cent. This is not merely within the 1 per cent to 4 per cent broader target range, but even below the more ambitious 2½ per cent which the government insists is the real goal. Spare a thought for Norman Lamont, the former chancellor, who put the present regime in place.

The clearest conclusion from the table is that the Bank's errors have been on the side of over-predicting inflation. If you look down the columns vertically the most usual picture has been of an expected gradual rise in the inflation rate, which has either not materialised or been less than expected. If you look horizontally at predictions for a particular quarter you will find that the most usual picture is of a relatively high rate of inflation predicted initially, which is gradually adjusted downwards in successive reports until the actual result is known. There are of course exceptions. In the second half of 1994 the Bank seemed to suffer from an unusual phase of inflation over-optimism at least for the near term. But that did not survive long.

It was not only the Bank that over-predicted inflation. So did the Treasury in nine of the 15 predictions it made from autumn of 1992 onwards. It was mainly in the Budget Red Book of 1994 that the Treasury succumbed to a little inflationary over-optimism. But the overshoot of the forecasts now seems much less than looked likely a little while ago.

Many private forecasters also over-predicted inflation. The error went beyond forecasting. The relationship of wage movements, for instance, to variables such as unemployment and prices seems to have changed. So most of the domestic cost elements have risen less than would have been expected on models based on past behaviour. In fact both the actual movement of inflation since the present regime started three years ago and the errors of projection seem trivial compared with the very big changes between now and only a few years ago.

The main significance of the Bank's forecasting errors is that they arose in part from excessively buoyant views about real output and activity. In other words, it expected an acceleration of the economic upturn instead of the pause or slowdown which has occurred. The Bank's inflation forecasts are probably as accurate as they will ever be. The big question is not whether inflation at the end of 1996 is going to be 3 per cent, as hitherto predicted by the Bank, or 2.5 per cent as predicted by the Treasury. It is whether inflation will stay in this ballpark or tend to burst out again.

Victory in the battle against inflation is never final and the Bank is right to be vigilant. But it needs to be at least as vigilant about downward pressures. It would not of course be a tragedy if inflation turned out to be 2 per cent rather than 2½ per cent. The problem is that it is very difficult to get inflation, as usually measured, towards anywhere near zero. The forces unleashed in any attempt to do so tend to drag the real economy down quite far for every odd decimal point gained on inflation.

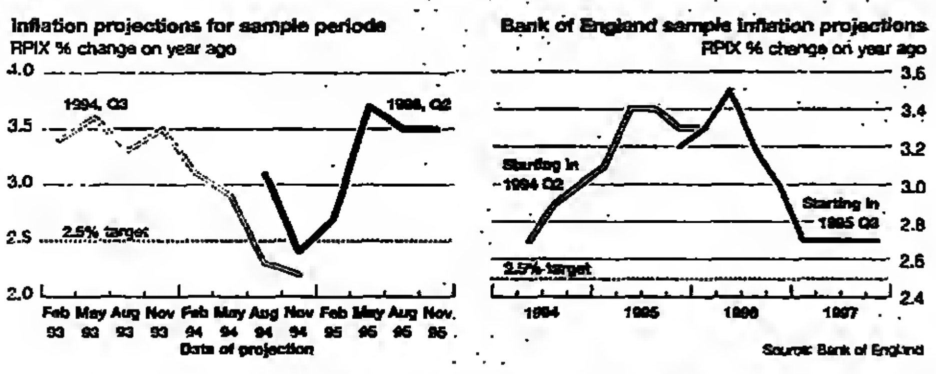
So I come back to my old conclusion: the need for a framework which takes account of real output and the need to sustain it, so long as that can be done without throwing away the recent inflation gains and without borrowing imprudently from overseas.

Bank of England track record

RPIX: percentage increases in prices on a year earlier

Date of projection	Feb 93	May 93	Aug 93	Nov 93	Feb 94	May 94	Aug 94	Nov 94	Feb 95	May 95	Aug 95	Nov 95
Interest rate assumed (%)	6.00	6.00	6.00	6.00	5.50	5.25	5.25	5.75	6.75	6.75	6.75	6.75
Quarter being forecast												
1992 Q3												
Q4	3.7											
1993 Q1	3.5	3.4										
Q2	3.4	3.4	2.8									
Q3	3.0	3.4	2.9	3.1								
Q4	3.1	3.2	3.0	3.3	2.7							
1994 Q1	3.4	3.2	3.2	3.6	2.8	2.7						
Q2	3.4	3.5	3.3	3.5	3.0	2.7	2.4					
Q3	3.4	3.6	3.3	3.5	3.1	2.9	2.3	2.2				
Q4	3.3	3.7	3.3	3.4	3.2	3.0	2.5	2.1	2.3			
1995 Q1			3.5	3.5	3.4	3.1	2.7	1.9	2.9	2.8		
Q2			3.6	3.4	3.3	3.4	3.0	2.0	2.5	2.7	2.7	
Q3					3.2	3.4	3.2	2.3	3.1	3.0	2.9	2.9
Q4					3.2	3.3	3.2	2.4	3.2	3.1	3.0	3.2
1996 Q1						3.3	3.4	2.8	2.8	3.4	3.2	3.3
Q2							3.4	2.4	2.7	3.7	3.5	3.5
Q3								2.4	2.6	3.7	3.4	3.2
Q4									2.5	3.4	3.2	3.0
1997 Q1										3.0	2.9	2.7
Q2											2.8	2.7
Q3											2.8	2.7
Q4												2.7

Figures in heavy type are outturns



Marketing · **Victoria Griffith**

A rapid thaw in attitudes

The winter sports industry has changed its strategy on snowboarding

November snowfall caused celebration in New Hampshire this year, as the ski season got off to an early start. But not everyone on the slopes was happy. "Skiing is not what it used to be," grumbled one middle-aged man as he headed for the lifts. "Those kids on the snowboards ruin the trails."

His complaint would once have been viewed sympathetically by the ski industry, which did not want to alienate its faithful customer base. In the late 1980s, a number of resorts – including Park City in Utah and Alpine City in Lake Tahoe – banned snowboards altogether. Others restricted the sport to a few designated trails.

Yet the winter sports business now recognises that snow surfers may be the industry's best chance for growth in coming decades, and is marketing heavily to them. Ski resorts in many parts of the world have created special snowboard "parks" with jumps and different kinds of terrain – from which skiers are banned.

Snowboard rentals and lessons are available at nearly all resorts, and equipment is no longer hidden at the back of ski shops, but displayed prominently. And ski equipment manufacturers such as K-2 and Elan have now launched snowboard gear.

Snowboarders, who often practise sports such as water surfing and skateboarding in the warm months, are even setting fashion standards. Skiers are starting to wear the exaggeratedly long hats favoured by boarders.

"We rethought our assumptions about who our client base was and decided the growth was going to come from the boarders," says Ms Candace Moot, president of the Vermont Ski Areas Association. "So that's where a lot of the marketing effort is placed now."

It is not difficult to see why the snow sports industry changed its opinion. The number of snowboarders on the slopes in the US has expanded from a tiny number in the mid-1980s to more than 2m last year, according to Ski Industries of America, the trade association. More than one in 10 people on the slopes now rides a board. The number of skiers has remained stagnant.

Snowboarders also present an age advantage. Almost all boarders are under 30, and nearly 40 per cent under 17. "The industry looks at these numbers and figures that these customers could be with them a long time," says Mr William Clapper of Ski Industries of America. "Skiers, on the other hand, tend to be more middle-aged."

Yet many resorts have to walk a fine line in courting boarders while keeping their traditional customers happy. "There is definitely some tension there," says Ms Linda James, in charge of marketing for the Stowe ski resort in Vermont. "The [snowboarding] kids are young, and are often not well versed in etiquette on the slopes. We try to give them some behaviour tips during the snowboarding lessons we offer."

Snowboarding has the potential to be long-lasting. It can be mastered more quickly than skiing and requires less bulky gear: the short, fat boards and soft shoes of boarders fit in the back of any compact car. "This is not a fad. It is a major part of this industry, and skiers are going to have to learn to live with the boarders," says Ms James.

It seems no amount of grumbling on the part of traditional skiers will rid them of the snowboarders, as long as that part of the industry offers such growth potential.

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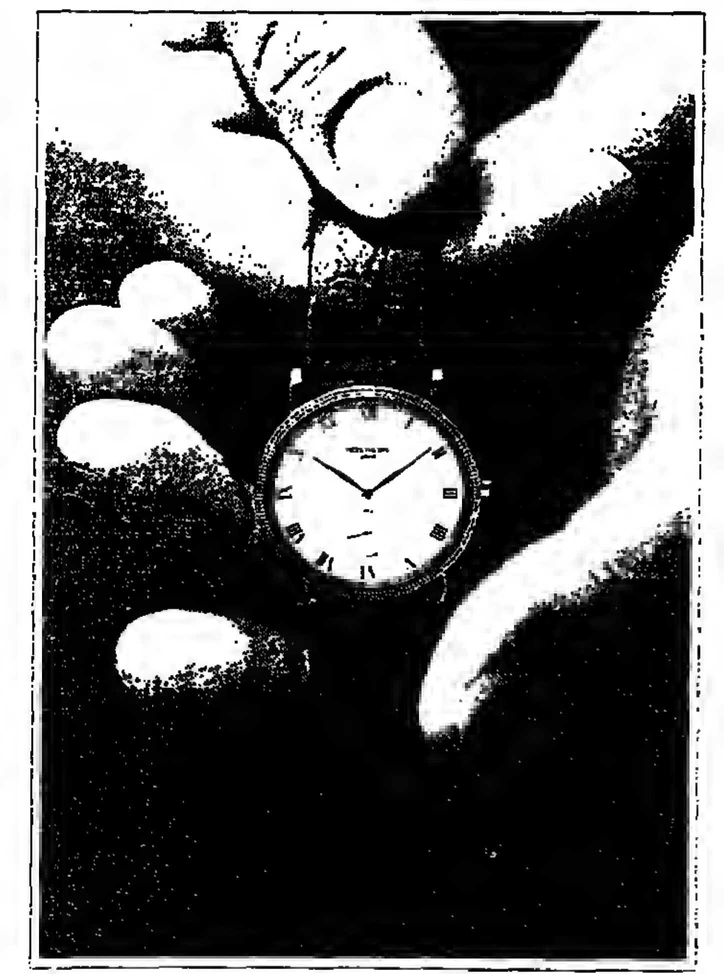

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·LETTERS TO THE EDITOR·

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Tory rebel at odds with UK business over Emu

From Sir Michael Palliser, Sir Michael Butler and Sir David Hannay.

Sir, John Redwood does not speak for British business in his campaign against a single European currency ("Emu threatens City, says Tory rebel", December 12).

The majority of British business has been consistently supportive of a well-run economic and monetary union. Emu would provide real commercial benefits for British business. If a single currency is formed by the end of the century, British business would suffer if the UK did not participate. The City of London's pre-eminence in particular could be put at risk by Mr Redwood's campaign.

The Confederation of British Industry's latest survey of business attitudes to Europe found that a clear majority of British businesspeople favoured the UK's participation in Emu. The survey showed that an overwhelming majority of the business community does not agree that Britain should rule out joining a single currency. The survey also showed significant support for the UK being part of the leading group of member states when a single currency is set up. British exporters know that they will benefit from the transaction cost savings gained from a single currency.

Emu offers the prospect of low inflation and currency stability throughout the single market if it is properly run and efficiently operated. It is clear that the French and German governments possess the political will to create a single currency by the target date of 1999. It is also clear that a single currency will be established on the basis of the German government's strong monetary disciplines. If the UK opts out of Emu, then the financial markets will focus even more sharply on the credibility of its anti-inflationary policy.

The UK would be faced with the challenge of building a track record as a low-inflation, hard-currency country. Given its history over the past 50 years, this would be a very tough task indeed.

By leaving open the option of a sterling devaluation, the UK would be signalling to the markets that it might accept the inflationary consequences which could follow. The markets could then respond by demanding higher UK interest rates. The fact that the UK already has a higher level of long-term interest rates than some of its European partners does not provide reassurance about sterling's future in this scenario.

The history of the European Community shows that unless the UK shapes European institutions from the inside, it will suffer in the longer term. The UK must learn from its past mistakes and ignore Mr Redwood's advice.

Michael Palliser,
Michael Butler,
David Hannay,
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Accountants' liabilities

From Mr Mark Griffiths.

Sir, The risks of professional practice have been given a welcome airing since the Binder Hamlyn judgment ("Accountants hit by top damages", December 7), but is the establishment of limited liability partnerships under a proposed Jersey law ("Jersey may change laws to attract top UK accountants", December 9/10) really an adequate answer?

That solution may protect the private assets of partners who are not found to have been personally negligent. However, judgment creditors would presumably be entitled to all the assets of the firm, including capital, reserves and goodwill. The business would, therefore, be broken up. That would constitute a severe loss to all other clients of the firm, to its staff, and to the economy as a whole. Furthermore, there would be nothing left for any future claimants.

A statutory limitation on liability for all businesses, whether incorporated or unincorporated, which undertakes to insure up to the limit, would be a much better solution.

Unlimited liability is an illusion. There is always a limitation imposed by ability to pay. A clear top limit on liability – fixed above the level ordinary private individuals might ever expect to claim – would concentrate the minds of those who might be at risk of very large losses on the need to cover them by insurance or other financial back-up. That would be much more secure than a right to sue which is at best a slow, uncertain and expensive remedy.

Mark Griffiths,
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Real cost of transport

From Mr Jonathon Pugh.

Sir, Michael Schabas's conversion to the cause of road pricing is to be welcomed (Letters, December 11), particularly in the light of his recent paper, *Charging for Roads*, on the subject which you reported on October 3 ("Mileage-based road tax urged instead of tolls"). In that, he suggested that civil disobedience would be the consequence of any attempt to implement a system of tolls reflecting the total costs of congestion.

The problem with transport is not, however, the consequence of the political cycle interfering with long-term investment decisions. It is more a general refusal to spell out the consequences of a genuinely sustainable policy, particularly the shift in charging to the point of use. Even more disingenuous is the assertion, made by many in the road lobby, that higher transport costs are necessarily harmful to economic prospects. If transport became a self-contained market, governments would have more resources available either to fund spending or to reduce the tax burden in other markets.

Mr Schabas goes some way down the road of identifying the market failures in the transport sector. However, his defeatism on the institutional framework seems to accept the governmental status quo. I am sure that I am not alone in believing that, despite the totemic status of private finance, democratically accountable government will continue to play a leading role in the transport sector.

Jonathan Pugh,
91 Eastcott Hill,
Old Town, Swindon,
Wilts SN1 3JF, UK

Classical touch would inject dignity into Euro currency name

From Mr Adam Fergusson.

Sir, Your editorial "The florin in your pocket" (December 7) says that the name "crown", although it translates into all languages, would not go down well with staunch Parisian republicans. I shall not be the only one to point out that in history and literature the old French *ecu* has normally been rendered as "crown" and *vice versa*, so that the republicans should present no problem.

However, we are now being hustled ineluctably towards the "Euro" which, as you say, is horrible. Might we contrive (while the UK is still permitted a full say in these matters) to lengthen this odious neologism to a "Europa", which at least has a certain classical dignity? Its local names could still be Euromark, Eurokrone, Europeseta and so on.

That agreed, we could then turn our attention to a name for the coin to represent one-hundredth of a Europa. A florin?

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FINANCIAL TIMES
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Juppé and the Bundesbank

It is difficult not to feel pity for Mr Alain Juppé, the French prime minister. To his front are the outraged strikers of France; to his rear is the ever-cautious Bundesbank; above him is the mercurial Mr Jacques Chirac. Any of these could finish off his attempts to bring France within the Maastricht treaty convergence criteria by 1997.

Attention is focused on the drama in the streets of France, understandably so. Mr Juppé has already made some concessions, notably on pensions. Of modest intrinsic significance, these could yet be precursors of a rout. In that case not only the credibility of his government but the goal of economic and monetary union in Europe could be ruined.

Ironically, France now needs help from the Bundesbank, the very institution that Emu is designed to bring under European control. The German central bank is not merely being asked – but is even expected – to collaborate in its own demise. As some observers wrily remark, the next German interest rate cut may be the Bundesbank's last – ever.

Will there be one? The general assumption is that there will be, though not tomorrow. The weak economy, strong D-Mark, low inflation and failure of broad money to grow in line with the target make many people conclude that the Bundesbank could – and should – cut rates. There are also political reasons to do so, including the upcoming European Union summit in Madrid.

But the Bundesbank hates to be seen to yield to political pressure. It can also find reasons for waiting: only two months of monetary data have appeared since the last cuts in August, the first of which displayed rapid growth; rates in the money market can still be lowered by almost half a percentage point before its room for manoeuvre is exhausted; annualised monetary growth over the past six months is back within the rate set by the target range; and weak exports may reflect no more than a pause in the global economic expansion.

Should the Bundesbank refuse to ease rates tomorrow, the way it sets its monetary target for next year should at least clarify likely future moves. Mr Juppé will hope the new target allows the money supply to jump substantially. With its three-month interest rates about 1¾ percentage points above the German level, France is in desperate need of all the German easing it can get. Since M3 was barely higher in October than in May 1994, that is hardly an unreasonable aspiration.

The Bundesbank should indeed cut rates now. Yet Mr Juppé must sometimes regret his country's inability to do much more about monetary policy than hope it does. He may even cast an envious eye on the ease with which Mr Kenneth Clarke could lower UK interest rates yesterday. Ultimately, the UK is all too likely to waste the fruits of this freedom, but France may also fail to gain those of its harsh monetary discipline.

Chinese justice

The 14-year sentence meted out to Chinese dissident Wei Jingsheng will come as a rude shock to those who think China will become more civilised as its economic and political influence grows. But then such expectations always were misplaced.

Mr Wei has never advocated violence. His crime in the eyes of the Chinese government was simply to call, in reasoned and measured terms, for democratic freedoms. This makes his treatment a far more flagrant abuse of rights than that of Mr Harry Wu. Now an American citizen, Mr Wu entered China in the summer with the deliberate intention to provoke. He was eventually expelled.

There is little chance of that happening to Mr Wei, paradoxically because the very moderate tone of his arguments is what makes him such a threat. For the Communist party, maintenance of control over all aspects of life is the key to survival. Free political debate would fatally undermine its hold on power. In the party's eyes, therefore, democracy is pernicious. Like armed insurrection, it must be put down ruthlessly whenever it appears.

This is the harsh reality that western governments and investors doing business with China must face. As long as the party clings to power, the rule of law will take second place to its own interests. The Wei trial shows how little it bothers about transparent legal process when it feels its back is against the wall. Worse still, by flagging the trial so publicly China has gone out of its way to cock a snook at world opinion.

This is a grim signal for Hong Kong as it ponders its future after 1997. Nor will the implicit threat be lost on Taiwan, where China blames democratisation for waning public support for unification.

No doubt the world will protest, and protest it must. But it would be an illusion to suppose that China cares. President Jiang Zemin has had two successful meetings with President Bill Clinton this autumn. He may calculate that the US desire to repair the bilateral relationship will keep recriminations muted. In any case, change in China will have to be internally driven: it cannot be imposed from outside.

One crumb of comfort is the inherent conflict in China's approach. The party's fear of democracy is itself a sign of weakness. To remain in power it knows it must enjoy some popular support. It has sought to do so by delivering higher living standards.

Eventually, greater affluence will lead to popular demands for more representative political institutions. Unfortunately, that may take a long time. For now, the fate of Mr Wei shows that the contempt for individual rights which spawned the great leap forward, cultural revolution and Tiananmen Square lives on. No one should expect the tradition to be abandoned easily.

Euro-drugs

A triumph of economic liberalism over the vested interests of Europe's pharmaceutical giants. That is how some will portray yesterday's decision by the European Commission, which will allow cheap Spanish and Portuguese medicines to be exported to other European Union countries. Yet there is a strong case that the Commission, in weighing up two conflicting principles, has backed the wrong one.

When Spain and Portugal entered the EU in 1985, their drugs did not gain access to EU markets because neither country offered patent protection for pharmaceuticals. Their companies continued to produce cheap copies of market-leading drugs, such as Glaxo Wellcome's Zantac. In 1992, when both countries tightened patent laws, the Commission ruled that the ban should remain for three years, to allow the industry to adapt. Yesterday, the Commission rejected the request of 10 member states for an extension of the ban. In theory, the European Court of Justice could change the expiry date of the ban, but companies are acting as if the Commission's decision is final.

In taking this step, the Commission has put the principle of the single market ahead of that of giving drugs companies protection of the intellectual property they create. By their nature, patent laws restrain free trade. But they are desirable, since they enable companies to appropriate more of the value of their research, so protecting their motivation for doing it. The length of patents also allows time for drugs to clear safety tests.

European drugs manufacturers claim they could lose about $2bn (£1.2bn) a year in sales once the cheap drugs start to appear in their markets. Because the Spanish and Portuguese copies are chemically identical to the branded product, they do not need to pass lengthy clinical trials. Companies expect wholesalers to sell the cheap drugs in high-priced markets such as Germany and the Netherlands.

Those predictions of losses, made in the heat of lobbying, may be exaggerated. The threat is greatest to best-selling drugs launched before 1992, but price differentials between Spain and Portugal and other EU countries are not always wide enough to give imports much room. Moreover, as new drugs fall under Spanish and Portuguese patent laws, the problem will diminish. The recent revision of patent rules under the General Agreement on Tariffs and Trade may also cushion the blow, by increasing the patent life of some leading drugs.

Yesterday's decision, while questionable in principle, may therefore be modest in impact. But it must not set a precedent in other cases, particularly the larger issue of imports of drugs from eastern European countries should the EU enlarge to include them.

A long-distance call

The Italian telecoms group's bold drive into Russia will be a test of nerve and will, writes John Thornhill

A decade ago it would have seemed unimaginable that any foreign company would ever be allowed to buy into Russia's closely-controlled telephone network, which formed the electronic nervous system of Soviet power. This month it happened.

Stet, Italy's state-controlled telecoms holding company, agreed in principle to pay $680m (£411m) for a 25 per cent stake in a newly-created Russian telephone company. It also committed itself to investing a further $770m to develop the country's long-distance telecommunications infrastructure.

The deal is the biggest foreign investment in Russia outside the energy sector. It is also one of the most ambitious steps in the Italian company's international strategy of investing some L4,000bn ($2.5bn) in overseas telecoms assets over the next three years, adding to stakes in Argentina, Cuba, Bolivia and Greece.

Stet's bold move could turn out to be one of the most visionary investments of the decade – there is no doubt that Russia has enormous potential to increase telecoms traffic. But there are also considerable risks in the investment, highlighted by the likelihood that the communists will top Russia's parliamentary polls this Sunday. There remain serious questions about the durability of the political consensus behind the privatisation of enterprises such as telecoms, and whether the new venture will have the commercial freedom it needs for success.

The plan is for Stet to take a stake in Svyazinvest, a newly-created telecommunications company which owns a 51 per cent stake in 85 regional telephone companies. It has been granted a licence to use this base to develop a long-distance and international network.

However, it is not clear how great an influence Svyazinvest can exercise over the regional companies, nor how quickly or willingly they will co-operate in realising its development plans. There are also questions about the nature of the regulatory regime under which Svyazinvest will operate, and its relations with Rostelekom, the dominant telephone company.

Mr Alex Goodwin of Sector Capital, a Moscow-based investment bank, says: "All Stet has effectively bought at the moment is a derivative – an instrument holding a basket of golden shares in 85 companies which have real assets but need to be restructured.

"But, if it is successful in running through the 100 points on its checklist by December 22, it could end up with a 25 per cent stake in a dominant telephone operating and development company which will change the whole skyline of Russian telecommunications."

The details of the deal should become clearer by December 22 when Stet must complete its discussions with the Russian government over the operating rules for Svyazinvest, and hand over its cash.

But Mr Carlo del Bô, Stet's Moscow representative, is confident the final hurdles can be overcome and that the company's stake in Svyazinvest will lead to a series of projects to develop Russia's telecommunications.

Stet is already trying to draw other international telephone companies and equipment manufacturers into the venture, to provide additional capital and expertise and spread the risks.

More capital is expected to be raised next year, when the Russian government plans to sell an additional 24 per cent of Svyazinvest's shares to international investors. However, they will have to do so against intense competition from governments around the world to attract such investment: a recent study by BZW, the London-based investment bank, estimated that the cost of planned telecoms investment projects around the world stands at about $1,000bn.

Mr del Bô believes that the growth potential of the Russian telecoms market will prove irresistible to international investors. "In 1992 there were 200m minutes of outgoing traffic from Moscow. In 1994 there were 1.2bn. Telephone traffic must grow very quickly if the economy is to develop," he says.

The Russian government has already shown itself to be flexible in trying to meet the concerns raised by potential investors over the risks of entering the Russian market.

For the reformers in the government, completion of the Svyazinvest sale would come as a rare triumph in the morass of controversy that has surrounded its privatisation programme. In an attempt to raise money to cover its budget deficit, the government has been transferring big packages of shares in some of Russia's most valuable energy companies to domestic banks at seemingly knock-down prices.

But Mr Maxim Boiko, the head of Russia's privatisation centre which has been conducting the Svyazinvest sale, says the deal has set a new level of openness and professionalism for a state sell-off.

"For the sake of the privatisation programme, it is very important that we successfully conclude this deal this year. It would provide a good model for how to sell assets next year and help persuade some of the sceptics that good business can be done in Russia," he says.

The multinational agencies, such as the European Bank for Reconstruction and Development and the International Finance Corporation, also appear keen to back the project which could help Russian business by modernising the country's telecom systems. They may well be prepared to take an equity stake.

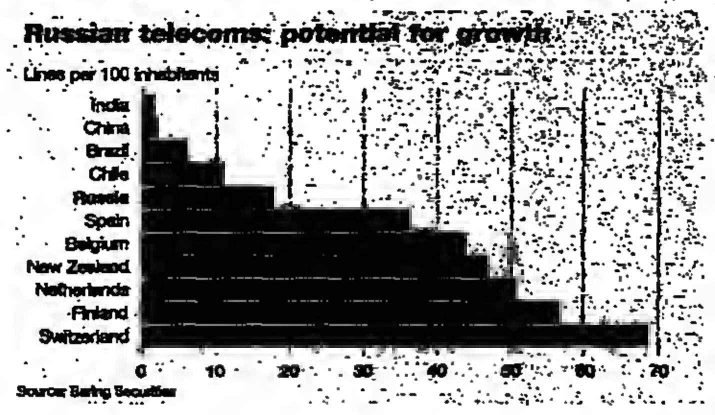
Nevertheless, other leading telephone companies, such as AT&T of the US, have fought shy of investing in Svyazinvest, believing there are too many uncertainties. Some industry executives believe the Russian government may struggle to find the necessary blend of competition and collaboration between Rostelekom and Svyazinvest.

Initially, at least, Svyazinvest will be heavily dependent on Rostelekom until it can create its own fibre optic and satellite links to join the pieces in its telecoms jigsaw. But Rostelekom's ambitious management may balk at having to help Svyazinvest get off the ground and see it cream off the most lucrative long-distance markets.

Mr Trevor Nash, head of BZW's telecoms advisory group, says developing countries such as China and India have found encouraging such competition at an early stage helps in developing their telecoms. "If you just leave it to a monopoly then nothing much will get done. Competition can provide a useful spur," he says.

But ensuring fair competition in an environment in which legal agreements are difficult to enforce will fully test Stet's nerve and the government's will.

Russian telecoms: potential for growth



Source: Baring Securities

Stet's line to overseas growth

The agreement to take a 25 per cent stake in Svyazinvest is only the latest and probably the most ambitious in a series of recent successful bids by Stet International, the vehicle for the Italian group's overseas investments in telecoms operators – many of them state-owned.

Last month, Stet acquired 10 per cent of Iridium Sud America, a satellite cellular communications group in South America. It also took 50 per cent of Entel Bolivia, the country's state-run telephone company, injecting $610m to underwrite a capital increase.

Stet is expecting to hear shortly about its attempt to enter the Chilean telecoms market. Its future plans include the development of cellular and fixed network investments in China and India to add to investments in Greece, Argentina and Cuba.

Unusually the Italian telecoms group is itself a state-controlled company. At the same time as Stet is stalking the world investing to newly privatised telecoms operators, it is about to be the subject of privatisation – the Italian government plans to sell its majority stake next year.

Ahead of this, Stet is trying to enlarge its customer base, concentrating on two main areas – South America, and Europe and the Mediterranean basin. At the same time, it is completing its outline agreement with International Business Machines, the US computer group, to develop a global partnership in telecommunications and information technology.

"The two strategies are complementary," says Mr Antonio Cardone, responsible for international developments at the company. "Where we have a stake in certain telecommunications activities in other countries, we can offer the same global services to these countries' customers as we offer to our Italian customers."

For example, the benefits of the IBM accord, which should be completed in early 1996 and may include other telecoms partners, could be made available to Svyazinvest's clients.

Other Stet subsidiaries involved in equipment manufacture, network engineering and telecoms software have already entered markets where the group is expanding its operating presence. Italtel, its equipment manufacturer which is now part of a joint venture with Siemens of Germany, has supplied 800,000 switching lines in Russia. Stet is part of a consortium building a telecoms cable through Italy, Turkey, Ukraine and Russia, and has formed a partnership in Russia to develop telecoms software.

Stet no doubt hopes the Svyazinvest deal will help erase its reputation as a high-bidding loser. The group was beaten in privatisation offers in Hungary in 1993 and the Czech Republic this year – and has been excluded from the shortlist for a stake in Belgacom of Belgium.

Mr Cardone says that reputation was ill-deserved. "We don't want to pay any amount of money just to be present," he says. "In the end we have to consider the overall risk of the bid, taking into account the regulatory regime, the situation of the country and the various prospects for economic development."

Andrew Hill

· O B S E R V E R ·

Degrees of accuracy

■ Aleksander Kwasniewski, Poland's ex-communist president elect, faces protests at his inaugural ceremony on December 23. Right-wingers are cross the supreme court didn't nullify his election, for his falsely having claimed a university degree.

But now it transpires out that another presidential candidate, Tadeusz Mazowiecki, who stood against Lech Walesa for the presidency in 1990, also claimed a degree he never completed.

Mazowiecki – until recently the UN's human rights ambassador in the former Yugoslavia – is now an MP and a leader of the opposition Freedom Union, which is trying to form an electoral bloc big enough to beat the former communists in the 1997 parliamentary elections. If the right-wing manages to force a trial of Kwasniewski, where might that leave its darling, Mazowiecki?

None of this worries Lech Walesa who has scores of honorary doctorates but never went near a university in his youth, having trained as an electrician. He probably still has his diploma – should anyone want to see it.

Spot the ball

■ Given the French government's struggles to reduce a large budget deficit, it's entertaining to see that it's forked out more than FFr5m for hefty advertisements in some 61 newspapers to explain the advantages of its controversial social security reforms.

Only 61? Astute francophiles will spot the notable omission of two national titles: Humanité, the Communist newspaper, and l'Equipe, the sports paper.

So is the government snubbing leftist opponents and football fans? Not at all – it was the newspapers that told Juppé to shove off. Humanité said it was politically inappropriate, l'Equipe that it rejected all political ads.

No such qualms from two of their loss-making daily rivals. Left-wing Libération was happy to print the advert, as was Le Monde, which has been taking an increasingly anti-government line over the last few weeks.

Le Monde took the money, and ran a back-page note explaining that political advertising – except from extremists – was perfectly okay.

CNN penalty shot

■ Mindful of its expanding global audience who might be followers of non-American sports, CNN put together a flattering profile of Republic of Ireland football manager Jack Charlton ahead of his team's crucial European championship playoff game with the Netherlands last night.

Pity then, that as the voiceover said that the team was "capable of competing with the world's best" the film showed a particularly brilliant recent goal against Austria, scored by Michael O'Neill of Northern Ireland.

Scratch my back

■ Having one Senator on the run from the law is embarrassing; to have two is Argentina.

Senators Horacio Massaccesi and Ramón Eduardo Saadi are fugitives from magistrates who would like to question them about alleged financial misdemeanours.

Massaccesi, presidential candidate for the Radical party in last May's elections, is wanted in connection with money he seized in 1991 from the national treasury to pay wages in the province of Rio Negro, where he was then governor.

Federal judge Carmen Garcia says she's no idea where Massaccesi might be, whereas Saadi, a Peronist also wanted for questioning is holed up in the Senate – where police cannot intrude.

Neither Massaccesi nor Saadi have yet been formally sworn in to the newly elected Upper House. But help may be at hand. Peronist and Radical Senators, normally at daggers drawn, are cooking up a deal to swear them in as quickly as possible.

The two fugitives would thus gain parliamentary immunity and be spared judicial prying. Such cross-party co-operation quite restores one's faith in human nature.

I name this child

■ Fine liberal country, Denmark. Anything goes, and all that jazz. Except when it comes to calling your child what you want.

An anonymous woman has been paying weekly fines of DKr 100 ($18) since 1969, when a court first ruled that her preferred spelling of her child's name broke the law. Under Danish law, only names listed by the Ministry of Ecclesiastical Affairs are allowed.

So, what did she call her child? Something truly awful, presumably? Well, no. She called him Christophpher. That's right, a double ph in the middle. And that phph is illegal.

Her refusal to change the name has so far cost her some DKr 25,000 kroner in fines, but she isn't budging; she wants her child to have an individual name. Nor is the ministry. Christophpher has not been accepted. It should be Christopher or the Danish spelt Christoffer, it says.

Yesterday the court in Grenaa, northwestern Denmark, gave her until March 1 to change her son's name, or start paying a higher weekly fine of DKr 500 kroner.

We name this ministry... very silly.

Financial Times

100 years ago

Stockbroker's safe robbed
Yesterday, at the Mansion House, Charles John Lambert, night watchman at 31 Lombard Street, where Mr Eugene McLaughlin, a stockbroker, has offices, was charged with larceny.

It appeared that money had been missed from the cash box and the safe for some time past, and some money and stamps having been marked, two detectives were hidden in the room and they saw the prisoner enter after the offices were closed for the night, and abstract from the safe the cash box, having got posession of the necessary keys.

He took a marked 6d and some marked stamps and was arrested. The Lord Mayor sentenced him to a month's hard labour.

Austrian finances
Vienna: In the Reichsrath today the Minister of Finance stated that the Government would shortly propose a considerable increase in the taxes on Bourse operations, the manufacture of beer and matches, and in death duties. All nationalities in the Empire would be treated on the same footing in the proposed legislation.

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FINANCIAL TIMES

Thursday December 14 1995

STAR AT CHRISTMAS

Consumer groups are angered by decision

Euro-MPs reject ban on cold-calling by phone

By Emma Tucker in Brussels and Diane Summers in London

Proposals to ban telephone "cold calling" and tighten restrictions on selling financial services by telephone or fax were yesterday rejected by the European parliament.

To the relief of financial institutions, direct marketing and distance selling organisations, MEPs ignored the recommendation of an influential parliamentary committee that cold calling for goods and services be outlawed.

They also voted down an amendment to proposed legislation on so-called distance selling that would have required financial organisations to provide consumers with more information about investment products.

Consumer organisations were dismayed, pointing to a growing number of complaints from consumers who have been persuaded to purchase, without proper information, such things as insurance contracts, savings plans and loans, over the telephone.

"By excluding financial services [from the distance selling legislation], it means that consumers are well protected when they make a simple purchase of a book by mail order, but they cannot count on the same level of protection when they buy travel insurance over the phone," said Mr Jim Murray, director of the BEUC, the European consumers organisation.

However, financial institutions welcomed the vote in Strasbourg. They had argued that the legislation, which aims to set common standards of protection for telephone purchases, was ill-suited to the special needs of financial services. "This directive is good news for people ordering turkeys, but was never designed for financial services," said the Finance and Leasing Association, the UK trade body.

Mr Alastair Tempest, director of Fedim, the European direct marketing association, said the vote "strengthens our resolve to introduce both mail and telephone preference systems throughout Europe". These schemes allow people who do not want to receive direct mail or sales calls to put their names on a central register.

The MEPs also rejected a reqnest that prior consent for selling by telephone and e-mail should be given before a consumer can be contacted by a salesperson. Prior consent is now simply taken to mean that sellers identify themselves when they ring potential clients, and explain the reason for their call.

Fedim had argued that a strict interpretation of "prior consent" would have hit at least 10 per cent of the more than 1.5m telephone marketing jobs in the EU.

However, MEPs did vote in favour of several amendments to strengthen consumer protection. One amendmeut they adopted says people booking tourist services, sucb as hotel rooms or flights, sbould be provided with all necessary information such as taxes and other "hidden" costs.

The legislation, as amended by the parliament, still has to pass through a "conciliation" committee, made up of representatives of the parliament and the Council of Ministers, where it could face further changes.

German economic growth set to resume, says bank

By Andrew Fisher in Frankfurt

German economic growth is likely to resume after a short period of stagnation, the Bundesbank said yesterday, on the eve of a meeting at which it will discuss whether to cut interest rates.

Most economists expect a further cut in German interest rates soon, but opinions are divided on whether this could come today – when the bank sets its money supply goal for 1996 – or early next year. The last cut was in August when the discount and Lombard rates were lowered by half a percentage point to 3.5 and 5.5 per cent respectively.

Meanwhile in the UK, Mr Kenneth Clarke, chancellor of the exchequer, and Mr Eddie George, governor of the Bank of England, agreed to cut interest rates by a quarter of a percentage point to 6.5 per cent.

In Germany, the combination of economic slackness, weak M3, low inflation and the strong D-Mark makes some economists think the Bundesbank could cut rates now. They argue it may also want to send a positive signal before the European Union summit in Madrid tomorrow, since the cause of monetary union would not be helped by economic weakness in Europe.

But yesterday's unchanged securities repurchase (repo) rate of 3.98 per cent was taken as a possible signal that the Bundesbank may not want rates to fall yet.

Mr Hans Tietmeyer, Bundesbank president, said this week that monetary policy could play only a small part in stimulating the economy if confidence was lacking.

Last week, however, he had said the decision on whether to change interest rates would depend on the requirements of M3, the broad monetary aggregate. This year, M3 has considerably nndershot the 1995 growth range of 4-6 per cent, a target which is expected to be repeated or slightly increased for 1996.

The central bank's monthly report on the economy was less pessimistic than some assessments of recent economic data. It acknowledged that "the actual situation and the business outlook has been perceived increasingly badly" this year, bnt added: "Soch periods of slowdown have been observed in previous phases of [economic] opturn."

It noted that the German council of economic experts had forecast growth for this and next year of 2 per cent, which is in line with, or at the lower end of, most national and international expectations.

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THE LEX COLUMN

Minor headache

Yesterday's decision to allow parallel imports of cheap medicines from Spain and Portugal is not what the drug industry hoped to find in its Christmas stocking. It sets a nasty precedent for the time when eastern European countries, with even lower costs, join the European Union. But the practical impact is likely to be limited, at least for now.

Investors should take with a pinch of salt the industry's prediction that margins in higher priced countries such as Germany will be undermined by a flood of cheap Spanish imports. The claim that lost sales could total $2bn sounds like the product of over-enthusiastic lobbying.

Parallel imports are already a fact of life. France and Greece, where prices are generally low, have for years been exporting drugs to more expensive neighbours. Nor is the practice commercially worthwhile unless the price differential is 20 per cent or more and the drug in question a market leader. In the case of newer medicines, which are usually the best-sellers, price differences between countries tend to be small. Any drug patented after 1992 will not be affected at all.

That still leaves a clutch of older best-sellers, such as Glaxo Wellcome's Zantac or Merck's Vasotec, vulnerable to losing sales. But the impact on Zantac, for instance, will be limited because its recent patent loss in Germany has already reduced prices in that market. Since the effect on individual companies will be difficult to calculate, the market may just decide to ignore it.

FT-SE Eurotrack 200: 1585.5 (-0.9)

Source: FT Extel

France

Despite climbing down on several important planks of its welfare reform programme, the French government may well succeed in wriggling out of its current tight spot. Mr Alain Juppé, the prime minister, has executed a dizzying set of policy turns: elected on a platform of job creation, he then espoused fiscal austerity, healthcare and pension reform and the restructuring of state-owned industry. By yesterday, in the face of paralysing strikes, he had capitulated on both jobs and pensions. This may not matter too much in the short term, provided he can persuade the unions to agree to healthcare cuts. While far short nf the original scope nf the reforms, this should be enough to rein in the budget deficit, allowing interest rate cuts which would then rekindle the country's flagging economy. There is, of course, the risk that the unions have scented blood and will not compromise. But having won the crucial ground, and with Christmas approaching, this seems unlikely.

And by starting to change expectations about the level of state provision, the government may even manage to pave the way for further reforms. In all likelihood, a new, possibly more modest, pension reform plan will appear in six months' time. If it does not, even notoriously short-term financial markets may start to be unsettled by the prospect of a pension crisis in the next century. Meanwhile, the latest demonstration of union power will postpone once again the restructuring needed to make much of French industry competitive.

RTZ/CRA

By trying to impose conditions on RTZ's merger with CRA, Australia's government is tilting at windmills. The government's first requirement – that there should be a quota of Australian nationals on the combined board – is silly, but unlikely to be more than a minor irritant. More serious is the attempt to require CRA – rather than RTZ – to control the Latin American operations of the combined business.

This makes no sense. RTZ knows the region much better than CRA and produces a big chunk of its profits there. CRA, by contrast, has only an Argentine potash business. And the government's stated aim – to win more influence for Australian mining companies – is unlikely to be achieved by placing restrictions on them.

More importantly, the government's requirement ignores the fact that the two businesses will cease to run as separate entities. Under the merger proposals, the twn companies' operations will, in effect, become part of a single group. The merged business will have a unified management structure and shareholders will receive identical dividends. Since the old distinctions between CRA and RTZ will cease to exist, the Australian government's attempt to favour one partner over another is pointless. In any case, the merged business is unlikely to have mnch difficulty finding a legal wheeze which gets round the government's requirement. If the government hoped to put a spanner in the works of what is in effect a takeover of CRA by RTZ, it is unlikely to succeed.

UK interest rates

The British chancellor did nothing yesterday to undermine his reputation for nifty footwork. Within a fortnight, he has cut interest rates and announced that he expects to borrow around £10bn a year more than he forecast last year – and managed, both times, to convey the impression of prudence. Even pre-empting today's Bundesbank meeting was good theatre, emphasising that cuts could be justified on UK conditions alone – withont the excuse of falling world interest rates.

Nonetheless, the gilts market remains nervous about inflation in the lnnger run. Yield curves have steepened, and the spread against bunds remains stubbornly wide. The chancellor's own forecast – that the economy will grow by an ambitious 3 per cent next year – has done nothing to calm investors' fears: if the forecast is right, the 2¼ per cent inflation target would almost certainly be broken. Even if he is not, he may still cut rates too far in attempt to deliver growth somewhere near the forecast.

History suggests the risk of over-reacting to a growth slowdown at this point in the cycle is considerable. But the dangers have to be kept in proportion. Even if, as the markets expect, the government fails to stay within its inflation target, 2½ per cent is still very low by Britain's past standards. While the target remains in place, bond investors can at least console themselves that – even with an election in the offing – this recovery is not going to end in the same kind of inflationary boom as the last one.

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Chirac backs PM's reforms

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statement was clearly designed to indicate that he did not intend to switch prime ministers. But speaking two days before the start of the European summit in Madrid, Mr Chirac also sought to neutralise anti-European sentiment which has been on the rise among parliamentary deputies as well as street protesters.

"This is not a debate over Europe versus jobs, but a choice between deficits and jobs," Mr Chirac told his cabinet. Government plans to reduce the social security and budget deficits are aimed at enabling France to qualify for European monetary union.

After receiving a reaffirmation of confidence from Mr Chirac, Mr Juppé last night met ex-president Valéry Giscard d'Estaing, and former prime ministers Mr Edouard Balladur and Mr Raymond Barre to elicit their support.

Drugs fear

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Zantac, UK-based Glaxo Wellcome's top-selling drug, is 45 per cent higher in Germany than Spain.

The UK's Association of Pharmaceutical Importers said that current parallel imports from France, Greece and Italy represent only 6 per cent of the National Health Service bill. It says it is unlikely that Spanish and Portuguese imports would cause significant damage to the UK drugs industry.

Congress moves closer to backing troops for Bosnia

By Jurek Martin in Washington and Bruce Clark in London

Congress was moving yesterday towards a grudging endorsement of US participation in the Nato mission in Bosnia, hours before President Bill Clinton was due to depart for Paris for the signing of an historic peace treaty.

Hopes were also rising among western diplomats that today's ceremony formally ending the war in Bosnia would be accompanied by a breakthrough in diplomatic relations between the former Yugoslav republics.

Mr Hervé de Charette, the French foreign minister, said an agreement on mutual recognition between Croatia and the rump Yugoslav state, which consists of Serbia and Montenegro, was ready and could be signed soon.

US officials, in a more cautious assessment, said rump Yugoslavia might normalise relations with Bosnia today, but still had outstanding differences with Croatia.

Today's ceremonies in Paris, which will also be attended by Germany's Chancellor Helmut Kohl and Mr John Major, the UK prime minister, will mark a formal end to nearly four years of war, and open the way for a 60,000-strong peace mission by Nato.

In Washington, the presence of Vice-President Al Gore on Capitol Hill failed to deter Republicans in the House of Representatives from moving to deny funds for the Nato mission. But the Senate voted 77 votes to 22 against a similar resolution.

Senator Bob Dole, the Republican majority leader, co-sponsored another resolution which would support the Nato mission on condition that the US take the lead in re-arming and retraining the Bosnian military over the next year.

Mr Clinton accepted this condition in principle during negotiations with Mr Dole this week, bnt Mr Gore expressed reservations about the wording of yesterday's resolution, wbicb bas alarmed west European nations.

Washington's allies say the impartiality of the Nato force would be impaired if the US, which provides the largest contingent, was heavily engaged in re-arming one side.

The continuing opposition of some US Republicans to the mission was given full rein during yesterday's debate.

Senator Phil Gramm of Texas, a contender for the Republican presidential nomination, denied be was an isolationist but charged that Mr Dole's resolution "takes a flawed policy one step further and makes it more flawed".

Antidote for war fever, Page 3

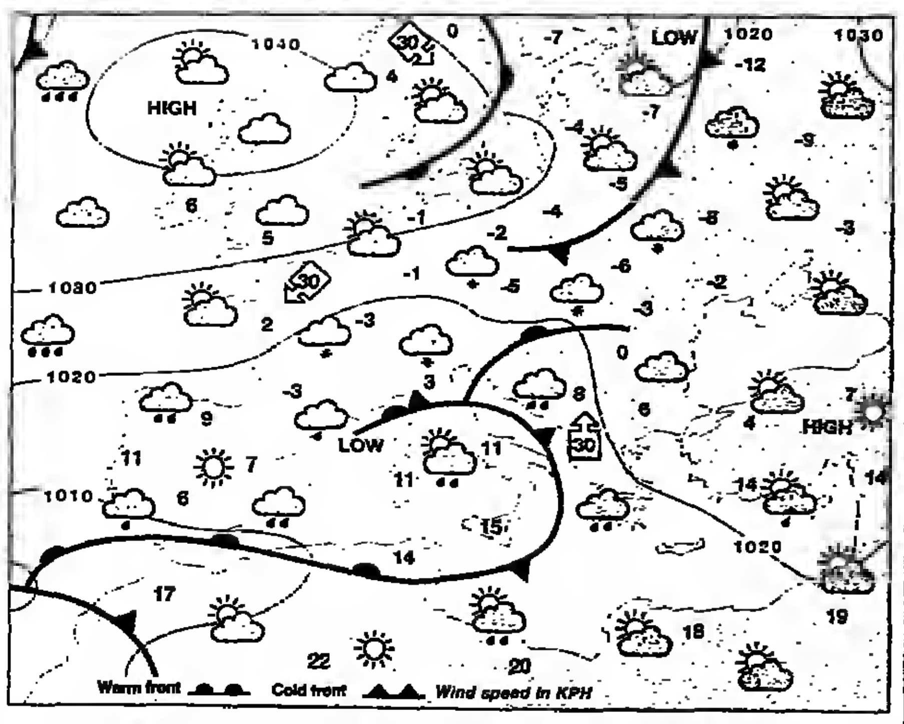
FT WEATHER GUIDE

Europe today

High pressure over northern Scotland will bring sunny conditions to most of the UK, Denmark and the northern Benelux. England, Ireland and the Benelux will be cold with moderate to fresh north-easterly winds. The southern Benelux and north-east France will be cloudy with light snow. An area from southern Germany, across Poland to western Russia will be cloudy with snow showers. Most of Spain and western France will be dry, with patchy cloud and sunny spells. Extreme northern and southern parts of Spain and the Cote d' Azur will have rain. Italy, Yugoslavia, Albania and western Greece will be cloudy with rain at times.

Five-day forecast

High pressure will persist over northern Scotland and northern parts of the continent producing sunny conditions in England, the Benelux, northern Germany and southern Scandinavia. Winds in the UK and the Benelux will remain north-easterly but will weaken on Friday. Southern and south-east Europe will continue unsettled with cloud and outbreaks of rain. Spain and southern France will have moderate to fresh easterly winds.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	fair	4	Caracas	cloudy	30	Faro	drzzl	15	Madrid	fair	6	Rangoon	fair	31
	Celsius		Belfast	fair	4	Cardiff	fair	6	Frankfurt	drzzl	3	Majorca	cloudy	10	Reykjavik	rain	7
Abu Dhabi	fair	29	Belgrade	drzzl	4	Casablanca	shower	18	Geneva	snow	-2	Malta	rain	17	Rio	thund	28
Accra	fair	32	Berlin	fair	0	Chicago	cloudy	3	Gibraltar	rain	15	Manchester	fair	5	Rome	rain	11
Algiers	shower	17	Bermuda	cloudy	16	Cologne	drzzl	2	Glasgow	fair	-4	Manila	cloudy	29	S. Frsco	cloudy	16
Amsterdam	fair	1	Bogota	shower	19	Dakar	fair	27	Hamburg	fair	1	Melbourne	fair	22	Seoul	cloudy	5
Athens	cloudy	13	Bombay	sun	34	Dallas	shower	23	Helsinki	cloudy	-5	Mexico City	fair	21	Singapore	thund	31
Atlanta	sun	15	Brussels	cloudy	2	Delhi	hazy	25	Hong Kong	fair	23	Miami	fair	26	Stockholm	cloudy	0
B. Aires	fair	28	Budapest	snow	-1	Dubai	cloudy	29	Honolulu	sun	29	Milan	sleet	2	Strasbourg	snow	-1
B.ham	fair	4	C.hagen	fair	1	Dublin	fair	6	Istanbul	fair	9	Montreal	snow	-6	Sydney	fair	24
Bangkok	fair	31	Cairo	fair	19	Dubrovnik	rain	12	Jakarta	shower	30	Moscow	snow	-9	Tangier	shower	16
Barcelona	fair	7	Cape Town	fair	28	Edinburgh	cloudy	4	Jersey	rain	5	Munich	snow	-3	Tel Aviv	fair	16
									Karachi	fair	29	Nairobi	cloudy	26	Tokyo	fair	12
									Kuwait	sun	18	Naples	rain	12	Toronto	sleet	1
									L. Angeles	fair	20	Nassau	cloudy	28	Vancouver	rain	7
									Las Palmas	shower	22	New York	rain	5	Venice	sleet	4
									Lima	sun	24	Nice	rain	9	Vienna	snow	-2
									Lisbon	fair	10	Nicosia	fair	13	Warsaw	fair	-4
									London	cloudy	5	Oslo	fair	-1	Washington	cloudy	6
									Lux.bourg	snow	0	Paris	cloudy	0	Wellington	fair	19
									Lyon	snow	-4	Perth	shower	26	Winnipeg	cloudy	-5
									Madeira	shower	19	Prague	snow	-4	Zurich	snow	-3

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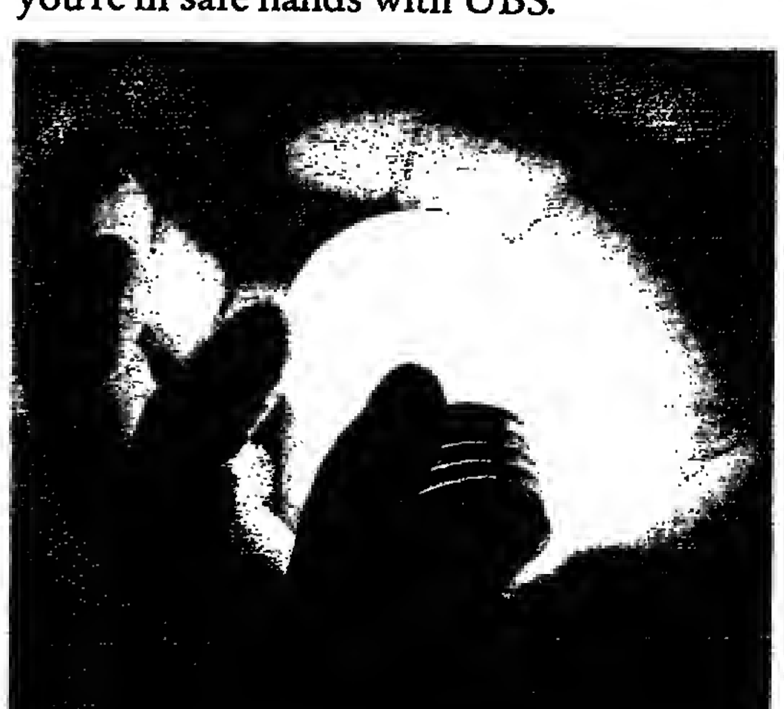

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Tilbury Douglas CONSTRUCTION

FINANCIAL TIMES
COMPANIES & MARKETS
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MoDo PULP, PAPER & PAPERBOARD

IN BRIEF

Crédit National in FFr3.4bn BFCE bid

Crédit National, the French banking group specialising in medium and long-term loans, announced a FFr3.4bn ($690m) cash offer for Banque Française du Commerce Extérieur, the state-controlled banking group. Page 18

S Korean banks warn of sharp profit fall
The South Korean banking industry is expected to suffer a sharp fall in net profits in 1995, according to provisional financial statements from the country's main banks. Page 18

Japan's petrol price war steps up a gear
Japan's price war for petrol, diesel and kerosene has grown in intensity, in anticipation of an even fiercer battle in the country's oil market next April. Page 18

Bausch & Lomb chief heeds calls to resign
The chairman and chief executive of Bausch & Lomb, the US maker of contact lenses and sunglasses, has yielded to pressure from investors and said he would to leave the company. Page 19

Internet fever boosts US Robotics
Demand for high-performance modems from customers dialling the Internet has led to a surge in earnings at US Robotics, the Illinois-based modem company. Page 19

Premier Group net earnings rise 56%
Premier Group, the South African food, pharmaceuticals and retail group, reported a 56 per cent rise in net attribntable earnings to R100.4m ($27.4m) for the six months to October 30. Page 20

Pearson earnings dip 'below expectations'
Pearson, the media and entertainment group, warned that earnings per share for 1995 would fall "modestly below" analysts' expectations and confirmed a restructuring of its board. Page 21

Chubb unlocks 13% advance to £44m
Chubb Security, the UK electronic alarms and locks group, increased interim pre-tax profits by 13 per cent. Pre-tax profits for the six months to October 13 were £44.4m ($70.15m). Page 21

Bermuda insurers invest at Lloyd's
Two Bermuda insurance companies have announced significant investments at Lloyd'a of London, highlighting the pace of change at the 300-year-old market, and among the mid-Atlantic island's insurers. Page 21

US farmers may gain from subsidy revision
If the political gridlock in Washington is cleared by the end of this month, US farmers stand to gain from generous agricultural subsidy revisions designed by Republicans courting the farm vote. Page 22

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Bil & Berger	545	+	13.5
GEHE	709	+	23
Falls			
Asko	718	-	21
MAN	402.5	-	14
Viag	582	-	12.5
Zanders Feinpp	141	-	9
NEW YORK ($)			
Rises			
Bausch & Lomb	39½	+	2¼
Bristol Hot	22½	+	2
CUC Intl	34	+	2½
Falls			
Nokia A	37	-	3¼
Pohang Iron	24⅞	-	1⅞
USG Corp	27¾	-	1⅛
LONDON (Pence)			
Rises			
Chubb Security	316	+	16
Queens Moat	13¼	+	2
Falls			
Countryside Pr	62	-	7
E Midlands Elec	703	-	36
Kwik Save	519	-	39
Pearson	618	-	40
TORONTO (C$)			
Rises			
Clearnet Comm	27⅝	+	1⅞
Fulcrum Tech	42½	+	3
Hawker Siddeley	16½	+	1⅛
Istor Internet	13¼	+	½
Falls			
Imax Corp	29½	-	1⅜
Placer Dome	33⅞	-	1⅞
PARIS (FFr)			
Falls			
Casino	135.6	-	6.3

Danone	778	-	41
Ecco	786	-	24
Euro RSCG	441.5	-	13.5
Fonc Lyonnaise	515	-	27
Legrand	745	-	35
TOKYO (Yen)			
Rises			
Daiwa Bank	767	+	33
Hattori Seiko	850	+	61
Stanley Elec	629	+	29
Falls			
Kumagai-Gumi	397	-	16
Mizuno Sporting	880	-	40
Tokico	518	-	31
HONG KONG (HK$)			
Rises			
Florens	4.55	+	0.2
HK Cham	2.5	+	0.3
Lap Heng	8.55	+	0.35
Lucky Man Prop	5.55	+	0.725
Falls			
HK Macau Intl	3.75	-	0.15
Singcan	2.75	-	0.125
BANGKOK (Baht)			
Rises			
Chiangmai Fz	47	+	4
Datamat	36.5	+	3
Interlife	57	+	9
Univenture	98	+	8.5
Falls			
Phoenix Pulp	106	-	0
Sri Charoen	151	-	13

New York and Toronto prices at 12:30.

Deutsche Telekom plans staff shares

By Nicholas Denton in London and Michael Lindemann in Bonn

Dentsche Telskom, the German state-owned telecoms company, yesterday announced plans to draw its 250,000 employees into what is believed to be the world's largest employee share ownership programme.

The company has appointed Union Bank of Switzerland to design and lead manage an innovative acheme to gear employees' investment in its DM15bn ($10.7bn) privatisation next year and protect them from any subsequent fall in the share price.

The launch of Deutsche Telekom's employee share ownership programme raises the pressure on the German government and banks – including Dresdner – managing the privatisation to provide concessionary terms for other small investors in the privatisation.

Deutsche Telekom, the government and the banks are having to overcome German investors' traditional preference for conservative investments such as fixed-income bonds. Only 6 per cent of households own shares, compared with more than 20 per cent in the UK.

Deutsche Telekom expects to spend DM100m subsidising the employee share programme. Mr Joachim Kröske, finance director, hoped that the government and the banks, which are in discussions with Deutsche Telekom on terms for retail investors, would "do their hit".

About 130,000 employees are expected to participate hy huying DM300m to DM1bn worth of shares.

UBS, as part of a strategy to manage the risks of a fall in Deutsche Telekom shares, will take an initial short position of up to DM400m in the company, other telecommunications stocks and German stock indices. The Swiss bank'a exposure to Deutsche Telekom will be its largest in a single stock. Competition for the appointment was intense. UBS fended off rivals incinding Bankers Trust, which pioneered the use of derivatives techniqnes in employee share ownership plans, and J. P. Morgan, which recently formed a joint venture with Dresdner Bank to win mandates such as Deutsche Telekom's.

Tha equity derivatives business has a low profile, but it produces revennes of about $1bn for investment banks and is an increasingly important source of profit for banks such as UBS.

Under the scheme designed hy UBS, employees will huy Deutscha Telekom shares through a "Telekom Partner" trust vehicle. An investment of DM300 of an employee's money will be supplemented by a loan of DM1200 provided by UBS, allowing a total investment of DM1500.

UBS will insure employees against a fall in Deutsche Telekom's share price and a decline in the value of their investment during the six-year period of the scheme. Derivatives techniques come into play in UBS's management of the risk it faces in having to bail out employees.

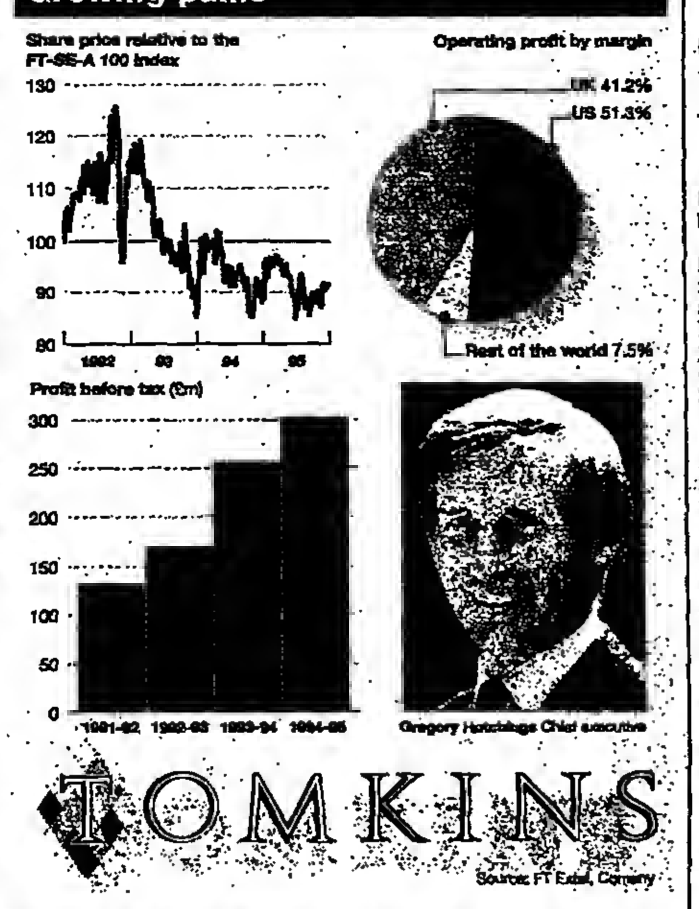
It plans to hedge its risk hy taking short positions of up to DM400m initially in Deutsche Telekom and other shares. These increase in value if Deutsche Telakom's share price falls and offset the danger of employees using the investment safeguard which UBS provides.

Risk management techniques provide employees with both security and leverage, and the ability to benefit out of proportion to an improvement in Deutsche Telekom'e share price. As an alternative, Deutsche Telekom is offering a simple 40 per cent discount on shares up to a total discount of DM300.

Gates deal follows three years of share underperformance

Investors welcome a victory for Tomkins

Growing pains



Gregory Hutchings Chief executive

Source: FT Extel, Company

Investors yesterday welcomed the largest acquisition by Tomkins in three years by pushing shares in the conglomerate to a 1995 high, signalling a potential return to favour after prolonged misgivings over its £990m purchase of Rank Hovis McDougall, the food group, in 1992.

Shares in the company – which fell sharply when it acquired RHM – rose 7p to 269p after it agreed the takeover of Gates Ruhher, the privately-owned US components maker, In securing the deal, Tomkins had to persuade the Gates family to reject overtures from Tenneco and Dana Corporation of Ohio.

Mr Greg Hutchings, executive chairman of Tomkins, predicted the tie-up would fulfil his promise to extract earnings growth from low-risk manufacturers by creating the world's largest producer of power transmission belts and industrial hoses.

"What swung it was our corporate culture, which is simply huilding businesses with motivated management and getting a good return for shareholders."

The hefty yield offered by Tomkins on the convertible preference shares used to fund the estimated $1bn (£658m) deal is also thought to hava attracted Gates.

The Denver-based group opted for the all-paper offer to maximise tax benefits for the five family trusts behind Gates Rubber. Mr Hutchings expects those trusts, after converting their stock into ordinary shares, to remain long-term Tomkins investors.

"They are not interested in making a quick profit and the shares could stay with the trusts for 40 years," he said.

Given that long-term view, be said Gates was unperturbed by the underperformance of Tomkins' shares in the three years since the RHM acqnisition. Instead, Gates focused on Tomkins's 10-year record as one of the best FT-SE 100 performers.

For Tomkins, Gates Rubber offers access to the fast growing Latin American and east Asian markets, and extends its presence in North America.

Although Gates has not disclosed its operating income or net asset values, the deal should also be earnings enhancing – considering Tomkins is not parting with any cash for a company which last year saw sales grow 7 per cent to $1.38bn.

The deal seems still more alluring following comments from Gates Rubher yesterday. Mr Lewis Keim, spokesman, said operating income had risen 63 per cent in the first nine months of this year and sales were up 18 per cent. "The income from the rubher company is growing fast and I think Tomkins can expect a strong return at the bottom line."

Some analysts suggested Gates was making operating margins of no more than 5 per cent, which on last year'a sales would put profits at $69m.

Tomkins is unlikely to be happy with margins at that level and would he expected to improve productivity by cutting Gates's 14,000 workforce. It will certainly need to address some of the group's production methods if it is to match the double-digit margins enjoyed hy rivals such as T&N and BBA Group.

"There looks to be plenty or room for improvement and rationalisation," said Mr Gavin Launder at SBC Warburg.

Mr Hntchings refused to be drawn on Tomkins's plans, aware that final contracts have yet to be signed and the Gates family could be unnerved by talk of reorganisation. Indeed, he expressly played down suggestions of aggressive cost-cutting: "The Gates family wanted to find a partner with the same sort of philosophy and growth potential – that's us. It's not going to be slash and hurn."

Tomkins is expected to underline the success of its approach next month hy unveiling first-half profits of about £125m, up from £114.5m last time.

Moreover, after assuming Gates'a debts it should still have about £150m of cash to fund further bolt-on acquisitions.

Those prospects won a cautious welcome from most analysts. "We are broadly supportive," said Mr David Ireland at ABN Amro Hoare Govett. "But we need a better sight of Gates before making a qualitative judgment."

Lex, Page 21

Tim Burt

Kimberly-Clark to cut 6,000 jobs and take $1.4bn charge

By Tony Jackson in New York

Kimberly-Clark, the US tissua maker which on Tuesday finalised its merger with rival Scott Paper, said it would shed 6,000 jobs worldwide and take a charge of $1.4bn against this year's earnings.

Of the job reductions, 2,700 would come from cuts and 3,300 from the sale of up to 13 manufacturing plants around tha world.

Kimberly had previously forecast a charge of $1bn-$1.5bn. The group said yesterday the cuts would save it at least $250m next year and $500m a year from 1998 onwards.

Mr Wayne Sanders, chairman, said Wall Street's consensus forecast of $4.94 earnings per share in 1996 was "realistic". This is 25 per cent up on consensus forecasts of $3.95 for the current year. In New York, Kimberly's shares rose $1¼ to $80 in early trading, valuing the Scott deal at $9.5bn.

The US Justice Department has required Kimberly, which owns the Kleenex hrand of tissues, to sell Scott Paper's competing Scotties brand.

This will involve the sale of two out of four US tissue factories, in Wisconsin and New York state, of which two are owned by Scott and two by Kimberly.

Kimberly has also agreed to sell its three brands of baby wipes in the US. This will result in the disposal of a plant in Delaware.

Other plant sales in the US could not be ruled out, the company said.

Disposals will also be required in the European Union on competition grounds.

Kimberly said it would not disclose details until early next year.

Although the European Commission has cleared tha deal in principle, it has until January 22 to deliver its official verdict.

Kimberly had previously said it would sell its Kleenex brand in the UK and Ireland, where Scott's Andrex brand is dominant.

However, it said yesterday it would license the brand to a competitor instead. This would also lead to plant sales. Kimberly said its European operations and those of Scott would continue to be managed separately until the Commission made its formal ruling.

The $1.4bn charge consists of $390m for employee severance and relocation costs; $285m for the factory disposals, net of proceeds; $130m for merger fees; $475m for asset write-offs and write-downs, including Scott inventory which Kimberly aims to value on a more conservative basis; and $120m for miscellaneous costs.

Kimberly said the joh losses would result from cutting out duplication among head office staff and sales personnel in the field.

Scott's administrative offices in Florida, Delaware and Pennsylvania will be closed. Kimberly also said Scott's offices in Paris and Hong Kong would be scaled back or closed.

Diamond sales hit record $4.5bn

By Kenneth Gooding, Mining Correspondent

De Beers, the Sonth African group that controls more than 80 per cent of the world's rough, or nncut, diamond market, yesterday surprised most analysts hy reporting that sales by its London-based Central Selling Organisation this year reached a record $4.531bn.

It said recent price increases for large rough stones had been "well accepted", and that worldwide retail diamond jewellery demand was "encouraging". But it had no news about negotiations with Russia, whose contract with the De Beers' diamond cartel ends on December 31.

Worries that Russia, one of the biggest rough diamond producers, might split from tha cartel and spark a price war have been unsettling traders this year.

A team from the CSO, headed by Mr Nicky Oppenheimer, chairman, is to meet Russian ministers in Moscow next week. "We hope to come to some conclusion hy the year-end," De Beers said.

Mr Michael Spriggs, analyst at SBC Warburg, said: "It is anyone's guess whether a deal will be struck. It's on a knife edge."

De Beers' rough diamond sales this year were above most analysts' expectations, 6.6 per cent ahead of the $4.25bn in sales for 1994 and 3.8 per cent above the previous record of $4.366bn, set in 1993.

Sales in the second half of this year were a record, at $1.99bn, 19 per cent higher than the same period of 1994.

The second-half result was helped hy a "re-alignment" of prices by De Beers in July, which raised the price of large diamonds and reduced that of small ones, and by a 5 per cent price increase for stones above two carats, imposed in November. De Beers had not put up prices since a 1.5 per cent increase in February 1993.

De Beers is upbeat about diamond jewellery retail sales, saying expectations for the important Christmas season are good and "if economic conditions remain as currently forecast, prospects for continued growth in the retail sector are favourable".

Retail jewellery sales in the US, which vies with Japan to be the biggest single market, were up by more than 7 per cent by the end of October and those in Japan were slightly ahead of the 1994 level.

Australia imposes conditions on RTZ merger with CRA

By Nikki Tait in Sydney and Kenneth Gooding in London

A potentially serious hitch in the proposed merger between RTZ Corporation of the UK and CRA, its 49 per cent owned Australian associate, emerged yesterday.

Mr Ralph Willis, Australia's federal treasurer, said he would approve the deal only if certain conditions were met. He said his government "considers these conditions are necessary to protect Australia's national interest".

In October, RTZ end CRA announced that they intended to merge their operations and management, in effect hecoming a single corporate entity with total assets of £9bn ($14.2bn) and a combined market capitalisation of ahout £14bn.

Neither company is making a bid, no cash is to change hands nor assets to he exchanged. Shareholders will retain their holdings in CRA and RTZ but vote together on significant matters. The companies said this "dual listed companies" structure was modelled loosely on arrangements at Unilever and Royal Dutch/Shell. Shareholders' meetings to approve the arrangements are scheduled for December 20.

The Australian treasurer's approval is required under the country's Foreign Acquisitions and Takeovers Act. Mr Willis said he would give approval only if CRA was allocated responsibility under the new arrangements for the two companies' Latin American assets and if there was a provision for Australians to make up at least one third of the dual listed companies' hoards, which will be identical.

At present, 5 per cent of the combined groups' assets are in Latin America.

CRA and RTZ yesterday said they were considering the implications of the treasurer's announcement and would respond fully "in due course".

The precise management structure of the dual listed companies has not heen set out in the documents sent to shareholders. However, there has been a broad indication that CRA would look after the "eastern hemisphere", from India to the Pacific. This would leave Europe, the Americas and Africa under RTZ's management. A small group of top executives in London would take strategic decisions for the whole group.

The key Latin American assets which the Australian treasurer would like CRA to manage include RTZ's 30 per cent interest in the Escoodida copper mine in Chile and its 51 per cent interest in the Morro do Ouro gold mine assets in Brazil.

The dual listed companies proposal also contains no provision for a set number of directors of any nationality. Earlier this week, Mr John Uhrig, CRA's chairman, told one shareholder who had asked about the lack of guaranteed Australian representation on the merged companies' boards that the companies did not want to be prescriptive. He said that, in years to come, the board could well be made up of a spread of international executives.

Mr Willis' conditions coincide with reports of some institutional unease at the deal. While understanding the companies' arguments for an operational merger, analysts have queried whether investors will benefit from having a merged portfolio of mining assets, as opposed to two fairly distinct portfolios, hetween which they can choose.

Lex, Page 14

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EUROPEAN NEWS DIGEST

Ferfin shareholders take battle to court

Shares in Ferruzzi Finanziaria (Ferfin), the Italian holding company, and Montedison, the industrial gronp it controls, rose sharply yesterday morning as shareholders began a court battle over a possible public offer for shares in Ferfin. Lawyers for Consob, the stock market watchdog, and Mediobanca, the Milan merchant bank which owns almost 10 per cent of Ferfin, went before a Rome court yesterday to discuss the bank's appeal against a Consob ruling that it should launch a public offer Ior more shares in Ferfin.

Shares in Ferfin and Montedison fell back after a morning of volatile trading, based on reports that the San Paolo di Torino banking group – which holds the biggest stake in Ferfin, 15 per cent – and its allies might make a bid for Montedison. The banks have not commented on the rumours, but analysts cast doubt on the likelihood of such a bid. *Andrew Hill, Milan*

Pechiney retail tranche popular

Individual investors have fully subscribed for their allotment of shares in the privatisation of Pechiney, the French aluminium and packaging group, according to Société Génerale, the bank leading the issue's public tranche. Final results of the operation are dne today or Friday. However, analysts expressed caution about the institutional tranche of the issue, which represents more than 13m shares. *John Ridding, Paris*

Krupp Hoesch to sell O&K stake

Krupp Hoesch, the German steel and engineering group, yesterday said it would sell its 75 per cent stake in Orenstein & Koppel (O&K), one of the best known names in the construction and mining equipment industry. Krupp Hoesch, advised by the US investment bank Merrill Lynch, said it was talking to half-a-dozen groups and hoped to close a deal early next year. The Essen-based group said it would keep O&K's profitable escalator operations accounting for about DM300m of the group's DM1.5bn ($1.04bn) sales. O&K's mining equipment division was profitable, but the construction equipment unit would report a loss. *Michael Lindemann, Bonn*

WestLB links with Bank Austria

WestLB, the German bank, yesterday signed an egreement to acquire 10.3 per cent of the voting capital in Bank Austria and form a strategic alliance with Austria's largest bank. The stake represents 9.1 per cent of its total capital. Under the deal, Bank Austria will issue new shares in the first quarter of 1996 and sell them to the Duesseldorf-based bank. Based on yesterday's closing price, the Bank Austria stake is worth Sch4bn ($392m). The decision to issue new shares will strengthen Bank Austria's capital base, but leaves the Austrian government still seeking a buyer for its 20 per cent holding. Bank Austria also said it would take a Sch500m stake in the Italian savings bank Cariplo, the Italian bank, by joining in its public share offering. *Eric Frey, Vienna*

■ Alusuisse, the Swiss aluminium group, yesterday denied rumours it was planning a takeover of the UK's Rexam packaging group. Rexam refused to comment but it is understood the group had not yet received any takeover approaches from potential bidders. *Peggy Hollinger, London*

■ Alcatel Alsthom yesterday announced that Mr Pierre Suard, the former chairman of the French transport, telecoms and engineering group, had resigned from the board. Mr Suard was forced to resign as chairman last June after being investigated for corruption. *John Ridding, Paris*

Crédit National bids FFr3.4bn for state-owned bank

By Andrew Jack in Paris

Crédit National, the Frencb banking group specialising in medium and long-term loans, yesterday announced a FFr3.4bn ($861m) cash offer for Banque Française du Commerce Extérieur, the state-controlled banking group.

Its bid came on the day the French government gave its long-awaited approval for BFCE's privatisation.

Crédit National would pay FFr2.95bn from its existing treasury funds and FFr408m raised by the sale of 20 percentage points of its 33 per cent stake in Coface, tbe export credit insurer, to Assurances Générales de France (AGF). The state-owned insurer now holds 43 per cent of BFCE.

Mr Emmanuel Rodocanachi, chairman, said: "This deal makes profound industriel sense and is being offered on very good financial terms."

The Crédit National offer represents 94 per cent of BFCE's shareholders' funds and 17 times 1995 estimated earnings, which Ms Isabelle Holland, an analyst with Société Générale in Paris described as "correct".

The acquisition would create a substantial new banking institntion with combined assets at the end of 1994 of FFr350bn, loans of FFr200bn and banking income of FFr4bn. The combined groups expect banking income to increasa from FFr1.15bn this year to FFr4.55bn in 1997, and net income from FFr525m to FFr825m over the same period.

Crédit National already owns 10.03 per cent of BFCE, and would raise its stake to 88.26 per cent by buying out AGF's stake, as well as the 24 per cent held by Crédit Lyonnais and 11.23 per cent by the Caisse des Dépôts et des Consignations.

Mr Rodocanachi hinted it was likely "in the medium term" that the remaining shareholders – the Bank of France and the Caisse Française de Développement – were also likely to sell their stakes.

Analysts broadly welcomed the deal, which would not diluta the bank's regulatory solvency ratio. However, there could be considerable management challenges integrating the two groups, since Crédit National has staff of about 1,400 and BFCE 2,050.

Mr Rodocanachi stressed that there were important areas of "complementarity" between the two institutions with relatively little overlap, which should ease integration.

BFCE has long specialised in shorter-term loans and loans to exporters, including a number of government-backed schemes. Crédit National said it had about 900 clients in common with BFCE out of a total of nearly 8,000, and a projected target client base of 10,000.

Crédit National's offer is almost certain to proceed, but must formally be approved by the state privatisation commission. Several other potential bidders have been rejected in the past few months.

Under a recent shareholder pact to provide stability, five investors will increase their stake to a total of 31 per cent of Crédit National's capital, which they will retain for four years.

Bristol-Myers set for Hungarian buy

By Virginia Marsh in Budapest and Daniel Green in London

Bristol-Myers Squibb, the US pharmaceuticals group, yesterday launched a $110m offer Ior Pharmavit, Hungary's leading manufacturer of vitamin pills. If successful, the offer would be the first public takeover of a listed company in Hungary and one of the first such offers in former communist eastern Europe.

Pharmavit is one of a growing breed of rapidly expanding Hungarian companies set up by private entrepreneurs after the start of market-led reforms.

Bristol-Myers said it had already reached agreement on the takeover with Pharmavit's majority shareholders, Dr Imre Somody, the company's founder and president, and Genericon Pharma, an Austrian pharmaceutical company, which together hold a 77 per cent stake.

Dr Somody will become head of Bristol-Myers's Hungarian operatlons. The takeover would be Bristol-Myers' first in eastern Europe. The company sees the move as part of its expansion in the whole of Europe, adding to recent acquisitions in Denmark and France. The group is being advised by Schroders, the UK merchant bank.

Bristol-Myers' offer of $62.35 per share or $12.47 per global depository receipt – a vehicle for trading ontside Hungary, each representing one-fifth of a share – is condltional on it being able to acquire a 90 per cent stake.

The offer to minority shareholders, which closes on Jannary 26, is at the same price accepted by the majority owners.

Dr Somody recommended minority shareholders accept the offer, which is at a premium to the Ft5,000, the price at which the shares were last traded, in mid-November. The shares were suspended yesterday.

If the takeover succeeds, Bristol-Myers would withdraw the company from the Budapest Stock Exchange.

Pharmavit went public in June 1994 at e offer price of $57.50 per share. The vast majority of the 23 per cent not owned by the majority shareholders is held in GDRs by institutional investors.

The company made pre-tax profits of Ft632m ($4.66m) on turnover of Ft4.1bn last year, up from Ft533m on turnover of Ft2.4bn in 1993. It is roughly the sixth biggest Hungarian drugs company.

Mr Gabor Sitanyi, Hungarian analyst with ING Barings in London, said that under communist rule Hungary had been the main supplier of medicines to other communist countries in eastern Europe. Bristol-Myers' bid demonstrated that the Hungarian sector would be used as a launch pad for drugs sales in the region, he said.

The company's main market is Hungary, but it also exports to other countries in the region and has sales subsidiaries in the Czech Republic, Slovakia, Poland and Romania.

Further deals are likely in the Hungarian drugs industry. In August Egis, one of Hungary's top three drugs companies, moved closer to being taken over by a western pharmaceuticals group when the Hungarian government sold its 28 per cent stake to NatWest Markets, the London stockbroker.

NatWest Markets and the European Bank for Reconstruction and Development, which owns a further 30 per cent of Egis, were hoping to sell control of the business to a western company before 1996. Possible buyers include the French drugs company Servier.

Before founding Pharmavit in 1988, Dr Somody, 37, was a director of Chinoin, now owned by Sanofi of France.

MTU future in doubt as CEO leaves

By Michael Lindemann in Bonn

MTU Motoren-und Turbinen-Union, tbe troubled German engine making subsidiary of Daimler-Benz, yesterday lost its US chief executive, increasing the likelihood the company may be merged with other competitors.

Mr John Tucker, the first US executiva to head a big German company, had been in post for 18 months. He will leave at the end of the year.

Mr Tucker's successor, Mr Rainer Hertrich, an executive at Daimler-Benz Aerospace (Dasa), will not be represented on the Dasa management board, a further sign that the MTU operations are likely to be scaled down in future, according to industry officials.

MTU is trying to extract itself from a strategic alliance with Pratt & Whitney, the US aero-engine maker, which has prevented the German company from becoming part of a European aero-engine group, possibly including BMW Rolls-Royce, the Anglo-German company, and Snecma, the loss-making French company.

Indnstry executives said MTU was finding it "very difficult" to disentangle its contracts with P&W but others said that Mr Tucker's sudden departure made it more likely MTU would abandon ambitions to become a leading aero-engine maker in its own right.

"It can't go on like this," said one executive close to the talks. We [MTU and BMW Rolls-Royce] are both busy throwing money out of the window by competing with each other."

Mr Jürgen Schrempp, chief executive of Daimler-Benz, recently told the FT there were plans to turn MTU into a "high-tech component snpplier" to GE, P&W and BMW Rolls-Royce. He said competition among aero-engine makers was so intense that engines were being sold at a 100 per cent discount in the hope of generating revenues from the sala of spare parts alone.

SBC proposes unified shares despite complaints

By Ian Rodger in Zurich

Swiss Bank Corporation yesterday proposed fundamental changes in its equity structure, but its continued refusal to lift voting restrictions could lead to complaints from large shareholders.

SBC said its plan to unify its share structure, to be proposed at May's AGM, "would accommodate the wishes of investors for a more liquid market, a transparent capltal structure and voting equality". Its plan to convert bearer shares into registered shares at the rate of two for one is unlikely to meet the kind of shareholder upposition that stymied Union Bank of Switzerland's unification scheme last year.

However, SBC could face complaints from shareholders about its intention to maintain e 5 per cent limit on the proportion of shares a single shareholder or group can vote. CS Holding has abolished all ownership restrictions and UBS shareholders have approved a similar measure.

Mr Martin Ebner, the maverick Zurich broker who is contesting UBS's unificatlon scheme in the courts, opposes voting restrictions. Stillhalter Vision, an investment fund controlled by Mr Ebner's BZ financial group, has in the past year built up a stake of 1.6m SBC registered shares with 3 per cent of the votes. However, Mr Ebner is unlikely to make a big fuse about yesterday's announcement, preferring to maintain his focus on UBS.

At present, SBC has 24m bearer shares in issue with a par value of SFr100, and 28.99m registered shares with SFr50 par value. Thus, the registered shares account for 55 per cent of the votes but only 38 per cent of the capital.

No compensation is heing offered to existing registered shareholders for the dilution of their voting power. However, the bank is unlikely to face a legal challenge like that launched last year by Mr Ebner against UBS.

SBC said the voting restriction would encourage a broad ownership of the shares. It pointed out that even with the restriction, a single shareholder could hold and vote 3.85m shares worth some SFr910m at today's prices.

But the bank was also trying to discourage the secret formation of concert parties that might be thinking of attempting a hostile bid. With a market capitalisation of SFr18bn, SBC is a significantly easier target than UBS, which has a capitalisation of SFr32.6bn, or CS with a market value of SFr21.6bn.

SBC said the restriction would not protect it from an open bid made by someone who started from a S per cent stake.

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CHASE

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Merrill Lynch & Co assisted the
Ministry of Finance of the State of Israel.

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GEHE AG
has acquired
AAH plc
through a public offer

We advised GEHE AG
in this transaction

Morgan Grenfell & Co. Limited
May 1995

Deutsche Morgan Grenfell

BBA GROUP PLC
has successfully completed its
public offer for
Holvis AG
Basle, Switzerland

We advised BBA GROUP PLC
in this transaction

Morgan Grenfell & Co. Limited
June 1995

Deutsche Morgan Grenfell

Blue Circle Industries PLC
has disposed of
Blue Circle Waste Management
to
South West Water plc
for
£70 Million

We advised Blue Circle Industries PLC
in this transaction

Morgan Grenfell & Co. Limited
July 1995

Deutsche Morgan Grenfell

Scottish & Newcastle plc
has acquired
the Courage Brewing Business
from
Foster's Brewing Group Limited

We advised Scottish & Newcastle plc
in this transaction

Morgan Grenfell & Co. Limited
August 1995

Deutsche Morgan Grenfell

Compass Group PLC
has acquired
Eurest Group
from
Accor SA
for up to
FRF4,550 Million

We advised Compass Group PLC
in this transaction

Morgan Grenfell & Co. Limited
September 1995

Deutsche Morgan Grenfell

Power Partnership Pty Ltd
has acquired
United Energy Limited
for
A$1.841 Billion

We advised Power Partnership Pty Ltd
in this transaction

Bain & Company Limited
September 1995

Deutsche Morgan Grenfell

BUNGE PAINTS
has sold
Rossetti Vernici e Idee
to
Vernici Junghanns

We advised Bunge Paints
in this transaction

Morgan Grenfell S.p.A.

October 1995

Deutsche Morgan Grenfell

Hoechst AG
has successfully completed the
disposal of its 77% interest in

Hans Schwarzkopf GmbH

We advised Hoechst AG
in this transaction

Morgan Grenfell GmbH and
Morgan Grenfell & Co. Limited
October 1995

Deutsche Morgan Grenfell

Scottish Power plc
has acquired
Manweb plc
through a £1.1 Billion public offer

We advised Scottish Power
in this transaction

Morgan Grenfell & Co. Limited

October 1995

Deutsche Morgan Grenfell

Usinor Sacilor SA
acquisition of minorities and merger with
Ugine S.A.
for
FRF3,721 Million

We acted as joint adviser to Usinor Sacilor

Morgan Grenfell S.A.
October 1995

Deutsche Morgan Grenfell

The Government of Bolivia has completed the
capitalisation of Empresa Nacional de
Telecomunicaciones SAM
ENTEL Bolivia
through the issue of new shares representing
50% of the enlarged capital to E.T.I. Euro Telecom
International N.V., a subsidiary of
Stet International S.p.A.
for a consideration of US$610 Million

We advised the Government of Bolivia
in this transaction

Morgan Grenfell & Co. Limited
November 1995

Deutsche Morgan Grenfell

Lonrho Public Limited Company
has agreed to exchange its platinum
interests for new shares in
Impala Platinum Holdings Limited
with a market value of £400 Million

We advised Lonrho Public Limited Company
in this transaction

Morgan Grenfell & Co. Limited
November 1995

Deutsche Morgan Grenfell

For further information, please contact Rory Macnamara or Simon Mackenzie-Smith
Morgan Grenfell & Co. Limited, 23 Great Winchester Street, London EC2P 2AX Tel: 0171 588 4545 Fax: 0171 826 6180

Deutsche Morgan Grenfell

Recommended Cash Offer

by

Kleinwort Benson Limited

on behalf of

Hillsdown Holdings plc

for

Hobson PLC

Kleinwort Benson Limited ("Kleinwort Benson") announces that, by means of a document dated 14 December 1995 (the "Offer Document") and by means of this advertisement, Kleinwort Benson has made a recommended cash offer (the "Offer") on behalf of Hillsdown Holdings plc ("Hillsdown") to acquire all of the ordinary share capital of Hobson PLC ("Hobson"). Terms defined in the Offer Document have the same meanings in this advertisement.

A person who validly accepts the Offer will receive 31p in cash for every Hobson Share held or may elect to receive Loan Notes in lieu of all or part of the cash consideration to which they would otherwise be entitled under the Offer.

The full terms and conditions of the Offer and the Loan Note Alternative are set out or referred to in the Offer Document.

The directors of Hobson, who have been so advised by Hambros, have stated that they consider the terms of the Offer to be fair and reasonable and in the best interests of Hobson and its shareholders and have recommended Hobson Shareholders to accept the Offer as they have committed to do in respect of beneficial holdings amounting to 9,298,129 Hobson Shares.

The Offer is not being made directly or indirectly in, and the Offer Document and Form of Acceptance are not being mailed or otherwise distributed or sent, in whole or in part, in or into, the United States, Canada or Australia. The Loan Notes have not been, and will not be, registered under the US Securities Act of 1933, as amended, or under any of the relevant securities laws of Canada or Australia. Accordingly, unless an exemption under such Act or laws is applicable the Loan Notes may not be offered, sold or delivered, directly or indirectly, in or into the United States, Canada or Australia.

Acceptances of the Offer should be dispatched as soon as possible and in any event so as to be received by not later than 3.00 p.m. on 5 January 1996 (or such later time(s) and/or date(s) as Hillsdown, subject to the rules of the Code, may decide). Copies of the Offer Document and Form of Acceptance will be available for collection from Lloyds Bank Registrars, Antholin House, 71 Queen Street, London EC4N 1SL.

Kleinwort Benson, which is regulated by The Securities and Futures Authority Limited, is acting for Hillsdown in connection with the Offer and no-one else and will not be responsible to anyone other than Hillsdown for providing the protections afforded to customers of Kleinwort Benson, nor for providing advice in relation to the Offer.

Hambros, which is regulated by The Securities and Futures Authority Limited, is acting for Hobson in connection with the Offer and no-one else and will not be responsible to anyone other than Hobson for providing the protections afforded to customers of Hambros, nor for providing advice in relation to the Offer.

The directors of Hillsdown accept responsibility for the information contained in this advertisement and, to the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in this advertisement is in accordance with the facts and does not omit anything likely to affect the import of such information.

14 December 1995

This announcement appears as a matter of record only.

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December, 1995

Correction Notice

U.S. $250,000,000

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Floating Rate Notes due 1997

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from December 11, 1995 to March 12, 1996 the Notes will carry an Interest Rate of 6.15859% per annum. The interest payable on the relevant interest payment date, March 12, 1996 will be U.S. $15.74 per U.S. $1,000 Note, U.S. $157.39 per U.S. $10,000 Note, U.S. $1,573.86 per U.S. $100,000 Note.

By: The Chase Manhattan Bank, N.A.
London, Agent Bank   CHASE

December 14, 1995

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NOTICE IS HEREBY GIVEN that for the Interest Period commencing on 15th December, 1995, the Notes will bear interest at the rate of 6% per annum. The interest payable on 15th March, 1996 against Coupon No. 40 will be U.S. $15.166666 per U.S. $1,000 nominal.

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INTERNATIONAL COMPANIES AND FINANCE

Fuelling Japan's petrol price war

Oil companies are braced ahead of the end of rules controlling imports, writes William Dawkins

Japan's oil companies have only one option; to cut costs and brace themselves for a shock. That is the view of Mr Yuji Idemitsu, chairman of the Petroleum Association of Japan, borne out by the recent decision of Caltex, the US refiner, to pull out of its 44-year joint venture with Nippon Oil, Japan's largest oil product distributor.

Caltex, the first foreign company to pull out of a Japanese oil joint venture, withdrew to invest in fast growing east Asian markets rather than continue to endure the Japanese oil industry's travails.

There is a price war for petrol, diesel and kerosene – the most profitable products – when demand is stagnant and crude oil costs are rising, in yen terms.

Petrol prices have fallen by a fifth in the past four years and have room to fall by nearly 18 per cent more before distributors and petrol stations become unprofitable, according to Baring Securities in Tokyo.

Competition for market share has become intense, in anticipation of even fiercer battle about to break out in Japan's oil market next April. Then, a government law limiting imports to 29 refiners and distributors, is due to expire.

Supermarkets, trading companies and even farm co-operatives are lining up for import licences next spring; and they will be able to slash prices without worrying about the fixed overheads of a Japanese refinery.

According to Barings, the top seven refiners' and distributors' could see profits halve in the current year to next March and plunge by 90 per cent in 1996 as a result.

Six of the top seven reported declines in recurring profits – before tax and extraordinary items – of between 12 per cent and 86 per cent in the first six months of this year. The exception, Showa Shell, managed a 20 per cent interim profits rise, but only because its earnings were hit last year by a one-off foreign exchange loss.

The deregulation of Japan's oil market is an important example of the broader structural changes beginning to take place in the economy at large. Barriers to competition in a limited number of sectors, from retailing to mobile telecommunications, are starting to break under pressure from market forces and the first results of the government's faltering political will to implement long delayed deregulation plans.

Japan's oil market deregulation is doubly unusual. Despite the fact that imports are run by a cartel, oil refining and distribution is the only Japanese industrial sector dominated by foreign partners. Four of the top seven Japanese oil companies are at least 50 per cent US or European owned, or run majority foreign-owned joint ventures.

It is, says Mr Nobuyuki Nakahara, honorary chairman of Tonen, a leading refiner, a legacy of the post-war occupiers's wish to assure and profit from a stable energy supply.

Equally, Japanese oil companies have been eager to hang on to their foreign partners. They have meagre oilfields of their own – around 12 per cent of imports – and need foreign partners to diversify their oil supplies

But even with foreign oil companies' partnership, Japan derives an unwisely high three-quarters of its crude imports from one region, the Middle East. Thus, the prospect of foreign withdrawals has aroused alarm in the oil industry and prompted the government to issue a statement that imports will not be harmed.

Yet oil industry analysts believe that it is only a matter of time before Caltex pulls out of its other Japanese refining joint venture, Koa Oil, and that it is possible that Tonen's two US shareholders, Exxon and Mobil may want to review their 25 per cent stakes by the end of the decade.

The other main foreign investors, Royal Dutch Shell in Showa Shell and Exxon in General Sekiyu, are less likely to pull out because their Japanese partners have strong marketing businesses, capable of making a profit even after deregulation, says Ms Keiko Sasaki, Barings oil analyst in Tokyo. Instead, she expects them to continue to seek cost savings by integrating refining and marketing more closely.

Caltex's withdrawal, initially resisted by Nippon Oil, invites the question of who stands to win or lose from the pump price war.

Japanese motorists, who still pay four times more for petrol than their US counterparts, will obviously be the first to benefit. So will the more efficient of Japan's 60,000 petrol stations, as a substantial number are expected to close when import deregulation bites, according to oil analysts.

To make matters worse for the inefficient, the government is considering plans, for 1997, to allow self-service petrol stations, currently banned by an arcane fire regulation. Today, the typical petrol station has half-a-dozen attendants to take cash, pump fuel, clean windows and check tyres. Their white gloved attentions make the motorist feel like a king, at the cost of a king's ransom for a tankful.

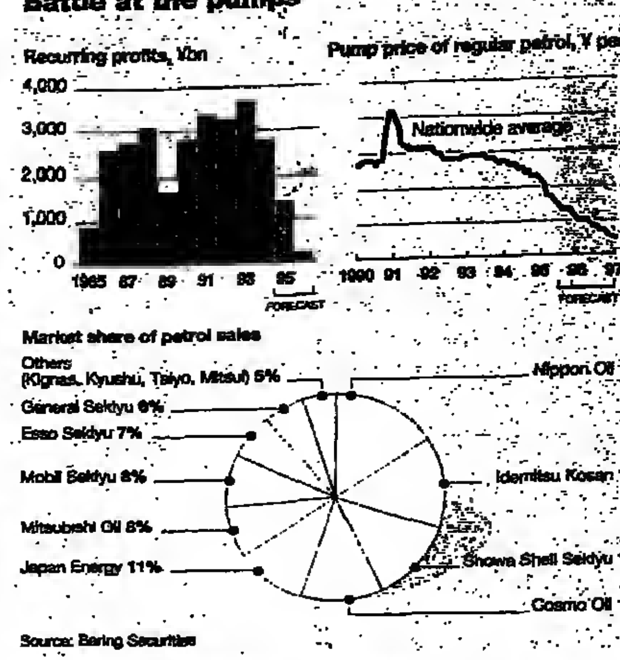
But already, a wide gap has opened between winners and loser. The most efficient chain of petrol stations, Esso Sekiyu, sells nearly twice as much petrol per station as the least efficient, Nippon Oil's Nisseki chain, according to an industry newsletter.

Another potential winner from Japan's pump wars comes from an unlikely quarter, agricultural co-operatives. Zenno, the co-operatives' national federation, is the country's largest petrol distributor, operating nearly 5,000 petrol stations under franchise from oil companies, a legacy of its traditional vocation selling diesel for farm tractors.

This year, Zenno started to import low-cost petrol direct from South Korea and 2,000 Zenno stations plan to start selling under their own brand. It is an example of how, in the oil market as in other industrial sectors, traditional roles are beginning to change.

Japan's foreign partners may be sceptical about its ability to deliver on deregulation promises, but as the oil industry shows, one or two sectors are genuinely on the move.

Battle at the pumps



Source: Baring Securities

South Korean banks warn of sharp 1995 profits falls

By John Burton in Seoul

The South Korean banking industry is expected to suffer a sharp fall in net profits in 1995, according to provisional financial statements from the country's main banks.

The banks blamed the earnings decline on stock market losses and narrow interest rate margins resulting from financial deregulation.

In releasing the provisional results, the banks hope to persuade the government to cancel a recent requirement that they increase the reserve ratio for valuation losses on securities from 50 per cent to 100 per cent.

The banks argue that full provisions for securities losses will cause some banks to suffer net losses this year because of the sluggish performance of the Seoul stock market.

The office of bank supervision mandated the tougher loss provisions to help force the banks to clean up their balance sheets and prepare them for extensive financial deregulation in the late 1990s.

Added pressure on bank earnings has come from interest rate deregulation, which is almost completed, and a resulting reduction in margins.

Cho Hung Bank predicted that 1995 net profits will fall by 74 per cent to Won35bn ($45m), while operating income will shrink by 32 per cent to Won450bn.

Commercial Bank of Korea, which recently completed an extensive write-off of bad loans, estimated a 35 per cent decline in net earnings to Won35bn. Operating income will slip by 26 per cent to Won440bn.

Korea First Bank will suffer a loss of Won100bn after a net profit of Won131bn in 1994. The bank has been hit by bankruptcies among corporate borrowers. Its operating income will drop by 35 per cent to Won400bn.

Hanil Bank is expected to report a net loss of Won45bn against a profit of Won129bn last year. Operating income will fall by 25 per cent to Won350bn.

Korea Exchange Bank predicted a 90 per cent drop in net earnings to Won10bn, while operating income will decline by 11 per cent to Won410bn.

Shinhan Bank estimated a 28 per cent fall in net profits to Won110bn, although its operating income was remain unchanged at Won350bn.

Schroder to cease Japanese options trading

By Emiko Terazono in Tokyo

Schroder Securities (Japan), the Japanese securities arm of the UK merchant bank, is to withdraw membership of the Osaka Securities Exchange, a centre for derivatives, as part of its downsizing.

Schroder said it would stop trading in Japanese stock index futures and options. The company is trying to restructure its Japanese operations, and has announced a voluntary retirement plan.

The move comes as the prolonged slump of the Tokyo stock market and high costs in maintaining operations in Japan have prompted overseas financial institutions to review their activities. Schroder said it was going to concentrate on the brokerage of cash securities, denying any intentions of pulling out of Japan.

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Payment of principal and interest will be made against surrender of the Bonds and Coupons at the specified office of any of the Paying Agents listed below. Each Bond should be presented for payment together with all unmatured Coupons, failing which the amount payable in respect of any such missing Coupons will be deducted from the sum due for payment. Bonds will become void unless presented for payment within ten years and Coupons within five years from the Relevant Date, as defined in Condition 7 of the Bonds.

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The Daiwa Bank, Limited
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5th Floor
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29 Boulevard Haussmann
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OMRON CORPORATION
By: The Mitsubishi Bank, Limited
London Branch
as Principal Paying Agent

14th December, 1995

Bausch & Lomb head bows to calls to resign

By Richard Tomkins in New York

The chairman and chief executive of Bausch & Lomb, the US maker of contact lenses and sunglasses, yesterday yielded to pressure from investors and announced his decision to leave the company he has headed for the past 13 years.

Mr Daniel Gill, 59, said he would retire at the end of the month. He will be replaced temporarily by Mr William Waltrip, 58, an outside director on the company's board.

Bausch & Lomb also announced that it was appointing Mr William Carpenter, 43, as president and chief operating officer. Mr Carpenter, previously chief executive of Reckitt & Coleman's US subsidiary, joined Bausch & Lomb only nine months ago as executive vice-president and global business manager for eye wear.

The company's shares put on $2⅜ to $39⅝ in early trading, a rise of 6 per cent.

Mr Gill's departure follows a long series of troubles for Bausch & Lomb. Its traditional plastic contact lens activities and the related business of lens care products have suffered from the increasing popularity of disposable lenses.

In 1994, net income plummeted from $156.5m to $13.5m, and matters worsened when it emerged that the Securities and Exchange Commission was starting an inquiry into allegations that the company had used dubious accounting practices to boost its sales.

This year, Bausch & Lomb's financial performance appeared to have been improving, but last week the company warned that fourth-quarter earnings would fall far short of expectations because the recovery was not going as quickly as expected.

Mr Gill, who had already lost his performance-related bonus for 1994, announced he was taking a 10 per cent pay cut and freezing executive pay until earnings reached an acceptable level. He later addressed a meeting of analysts and investors to explain his plans for growth. However, he failed to convince the market, and the shares sank.

Daniel Gill: growth plans failed to convince investors

US Robotics makes most of its Internet connections

Demand for high performance modems has led to a surge in the group's earnings, writes Laurie Morse

"Faster, better, cheaper" is the mantra of telecommunications companies these days, and for US Robotics, the top seller of computer modems in the US and the UK, that also serves as a business plan. While the Illinois-based company is not quite considered an Internet stock, its products help companies and consumers dial up the information highway.

While companies such as Netscape and Spyglass have been stealing the hi-tech limelight, US Robotics has been capitalising on its Internet connections. It was the first modem company to market directly to consumers, and over the past two years has benefited as home computer operators, seeking speedier delivery of graphics and other displays on the Internet, buy high-performance modems. Analysts say US Robotics remains the market leader in this sector because its products are easy to use, sensibly priced, and compatible with many different types of communications equipment.

US Robotics has seen an explosion in sales to Internet systems providers such as Compuserve and America Online, which need modems to answer thousands of customer dial-ups each day. More recently, through a $368m acquisition of Megahertz Corporation, the company has become a market leader for modems for portable computers.

In the process, the company's sales have soared from $59m in 1990 to $889m in the 1995 fiscal year ended October, and its shares this year have jumped from a low of $16.75 to an all-time high of $110.50 last month. Earnings in fiscal 1995 more than doubled to $89m.

"Seventy-five per cent of US Robotic's business is high-speed analogue modems for data and fax transmission," says Mr Steve Levy, managing director of communications research for [illegible] and Company. "As more and more people get personal computers, the demand for modems is going up, and consumers who already have modems are upgrading to higher speeds."

Dataquest, the California-based hi-tech market research and consulting firm, puts US Robotic's share of the $2.48bn North American modem market at 22 per cent last year, followed by cellular communications group Motorola, with Atlanta-based Hayes Microcomputer Products third.

Of course, US Robotics operates in a rapidly-changing environment, and its future depends on its ability to span several generations of technology. Analysts expect most analogue communications to have been abandoned for high-performance digital telephone lines by 2000, and another communications option – Internet access through existing television cable lines – is also on the horizon.

Mr Casey Cowell, US Robotics chairman, notes that while the computational power of a personal computer has increased hundreds of times over the last 20 years, the infrastructure serving the PC as a communications device – most particularly, telephone lines – has lagged, and consumers are impatient for

improvement. US Robotics has already developed core technology for digital communications and, while it has not made any announcements about a cable modem product, "we're very interested in any technology that allows higher speed communications," he says. Cable has the capability of transmitting data 1,000 times faster than telephone lines.

US Robotics has plenty of competition in cable. Cable vendors such as Time Warner are particularly interested in being seen as players in the Internet access game, and late last month a trio of cable providers made headlines by placing a $175m order for modems with Motorola.

Analysts expect US Robotics will come up with a competitive product if, and when, the cable market develops. "The cable modem arena is very hard to predict, and it is not a market today," says Dataquest analyst Lisa Pelgrim, noting it will take a lot of time for cable to become the reliable two-way service needed by Internet users.

In the meantime, US Robotics is putting about 6 per cent of its revenues, or $52.5m last year, into research and development, and is making strategic acquisitions that Mr Cowell hopes will lift the company's sales to $5bn by 2000.

"Our goal is to leverage investment in our core technology into an ever-broadening product line," he explains. In addition to internal R&D, that means acquisitions that either open new markets or offer access to new technology – or a combination of both.

The Megahertz acquisition last February not only gave US Robotics a foothold into the portable computer modem business, it also gave the company its first marketing presence in Japan. In August, it acquired ISDN Systems Corporation, and gained what Mr Cowell calls "a team with excellent technical capabilities".

A number of smaller acquisitions in the past few years has put US Robotics into markets in the UK, Germany, and France, and last year, international sales were 25 per cent of the company's overall revenues, or about $170m.

The company is focusing on gaining exposure for its desktop products across Europe, and expanding sales of systems products in the UK.

Later this month, the company will learn if its bid to buy modem pioneer Hayes for $97.5m in US Robotics stock and $85m in creditor claims receives the nod from a bankruptcy judge. Hayes is under Chapter 11 bankruptcy protection, and US Robotics would welcome the chance to absorb one of its main competitors. However, analysts believe Hayes' main shareholder has mustered enough financing to escape the takeover bid and return to solvency as an independent company.

AMERICAS NEWS DIGEST

Maytag chief quits to join Whirlpool

In a surprise move, Mr John Cunningham, chief financial officer of Maytag, the US white goods producer, yesterday moved to the same position at its larger rival Whirlpool. US executives are frequently barred from moving direct to rivals by clauses in their contracts. No such clause applied to Mr Cunningham. Maytag said yesterday it was unconcerned. "John has a high degree of personal integrity, and we don't have any worry about him going to work for a competitor," it said.

Whirlpool said Mr Cunningham's main appeal lay in his global financial experience with IBM, where he worked from 1966 until taking early retirement in mid-1993. He took up the post of CFO at Maytag two years ago. Whirlpool has been without a CFO since November 1994, when the previous incumbent, Mr Michael Callahan, left to join the Chicago manufacturing group FMC Corp. *Tony Jackson, New York*

Petrocan in oil field venture

Petro–Canada plans to spend C$2bn (US$1.49bn) with four partners to develop the Terra Nova oil field off Canada's east coast. Petrocan holds a 49 per cent interest in Terra Nova, located about 200 miles east of St John's, Newfoundland, and just south of the Hibernia field, due in production in late 1997.

The partners are Mobil, with 20.7 per cent, Murphy, with 10.7 per cent, Mosbacher, with 3.6 per cent – all US-owned – and Husky Oil, a western Canada producer, with 15.8 per cent.

Petrocan found Terra Nova in 1984 and wants to bring it into production in 2001, with output eventually reaching 125,000 barrels a day. The field is two-thirds the size of Hibernia, which will cost about C$8bn to develop. *Robert Gibbens, Montreal*

DuPont sells unit to Dade Int'l

DuPont, the US chemical group, said it would sell the In-Vitro Diagnostics business of its medical products division to Dade International for an undisclosed sum.

The business, which had pre-tax profits of $31m last year on sales of $326m, develops and manufactures instruments and services for clinical chemistry and immuno-diagnostic testing in laboratories. The transaction is expected to be completed in the first half of 1996. *AFX, Wilmington, Delaware*

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By: The Chase Manhattan Bank, N.A., London, Agent Bank

CHASE

December 14, 1995

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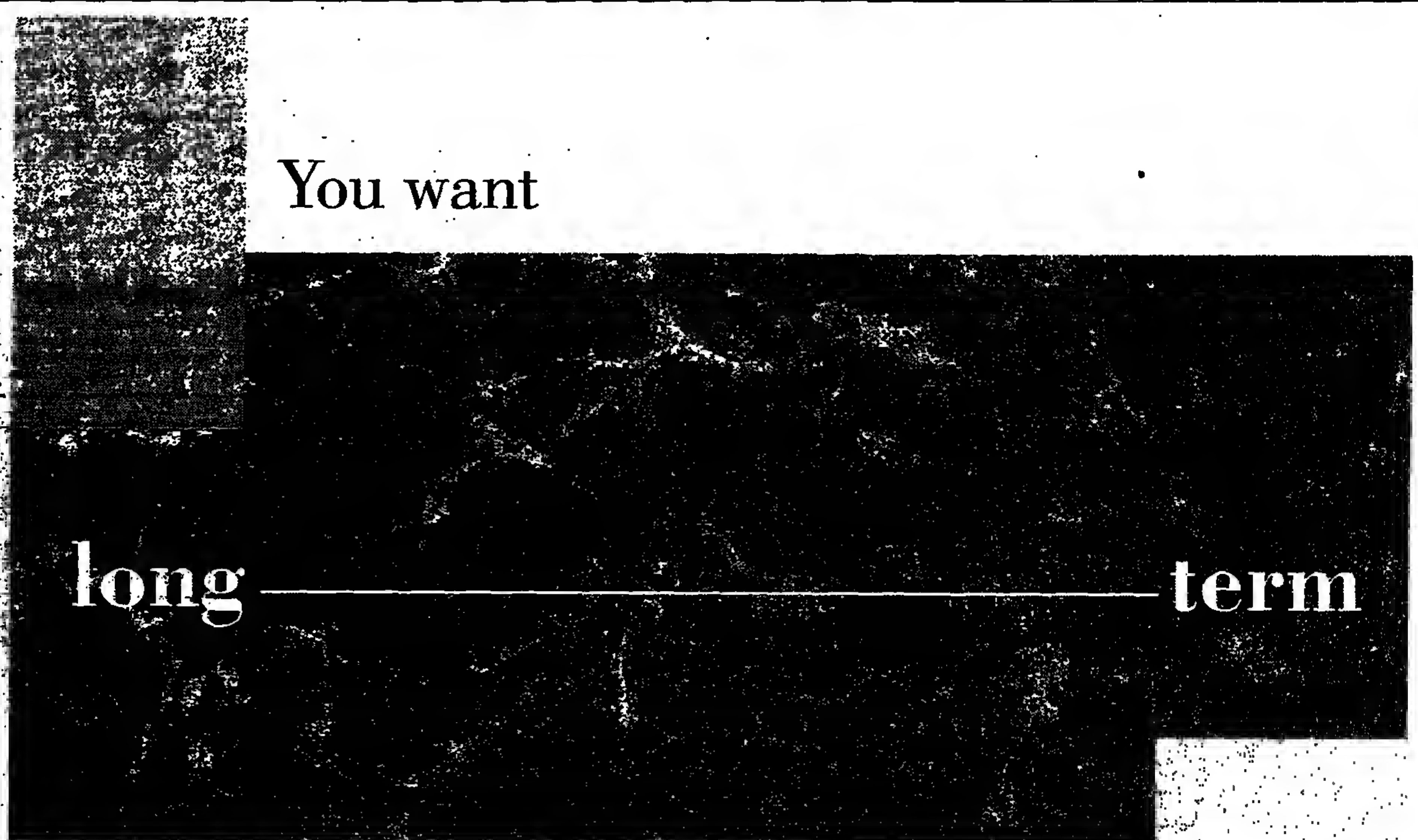

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INTERNATIONAL COMPANIES AND FINANCE

ASIA-PACIFIC NEWS DIGEST

Coles Myer fails to file court defence

Coles Myer, the Australian retailer, yesterday failed to file its statement of defence against claims of wrongful dismissal by Mr Philip Bowman, prompting speculation that it is attempting to reach a settlement with its former finance director.

A court hearing is due to take place today, which may shed more light on the situation. Coles had been due to file its defence yesterday, after the company reached an agreement with Mr Bowman's lawyers earlier this week, granting it a 48-hour extension.

It was Mr Bowman's abrupt sacking in September, and his subsequent allegations against the company, which brought the corporate governance concerns surrounding the company to a head, and led to a lengthy stand-off between Coles' management and institutional investors. *Nikki Tait, Sydney*

Qantas in talks on Gulf route

Qantas, the recently-privatised Australian airline, said yesterday it was talking to Emirates Airlines, the Dubai-based carrier, about possible co-operation on services between Australia and the Gulf.

News of the talks, which are continuing, came as Mr Laurie Brereton, Australia's federal transport minister, announced that Emirates Airlines would start services to Australia from next April.

He said the carrier would introduce a thrice-weekly service from Dubai to Melbourne, via Jakarta, using the Boeing 777 aircraft, with a second destination to be decided.

Qantas has flown to the Middle East/Gulf in the past, notably using Bahrain as a refuelling stop on its UK-Australia "kangaroo" routes. However, it has not serviced the routes for some years. *Nikki Tait*

Amusement project awarded

Ever Fortune, a Taiwan-based conglomerate, has won a bid to develop what will become the island's biggest amusement park. The development of Yuehmei Park, in central Taiwan, is to take place in co-operation with Taiwan Sugar, a government-owned corporation. The project is scheduled to last from 1996 to 2002 at an estimated cost of T$6bn (US$220m).

Taiwan Sugar will provide 198 hectares for the project. The first part of the park, covering 83 hectares, will open by the second half of 1999. The park will include recreational facilities as well as a hotel and convention centre. Ever Fortune and Tai Sugar are scheduled to sign the agreement on December 29. *Peter Harmsen, Taipei*

Mitsubishi Electric phone move

Mitsubishi Electric, the Japanese electric machinery maker, said it would launch digital cellular phones based on the GSM (global system for mobile communication) standard as early as 1997. It said it would start a marketing survey next spring in China, India, the Philippines and Thailand.

Mitsubishi began producing GSM-based handsets in November for marketing in Europe, with a plan to produce 500,000 at its French unit in the year to March 1996, rising to 1m the following year. Initially, it plans to export 10 per cent of its Freoch output to Asia. *AFX News, Tokyo*

Holden considers smaller model

Holden, Geoeral Motors' Australian unit, is considering producing a new, smaller model at Its South Australian plant aimed at the domestic and Asian markets, the company said yesterday. *Reuter, Adelaide.*

Restatement helps Premier Group up 56% at half-year

By Mark Ashurst in Johannesburg

Premier Group, the South African food, pharmaceuticals and retail group, posted a 56 per cent rise in net attributable earnings to R100.4m ($27.4m) for the six months to October 30.

The improvement was due largely to the restating of last year's interim results to include a R35.9m exceptional loss related to fraud at United Pharmaceutical Holdings.

Excluding the exceptional item, earnings were comparable, up R300,000 from R100.1m in 1994. Earnings per share were 12.0 cents, compared with 7.8 cents after exceptional items last year.

An interim cash dividend of 4 cents a share will be paid, in line with last year.

Net gearing of 44.5 per cent was 10 per cent up on the April figure of 41.2 per cent. Mr Doug Band, chairman, attributed the rise to higher value maize purchases financed by additional borrowings. Interest paid on debt had increased sharply as a result of investments made in food and stock positions prior to the Christmas season.

Mr Band said high gearing remained the biggest challenge facing the group. He declined to give a breakdown of borrowing, bnt said the food business had "very heavy gearing" due to its negligible capital base.

The group needed about R800m to capitalise the food sector and achieve its target gearing of 25 per cent.

Negotiations were under way to dispose of Clicks, the household goods retailer, and raise cash through a group rights issue early next year. The group's key holding and listed subsidiary Metro Cash and Carry, the retail chain, recorded significant growth. Sales rose 20 per cent to R3.6bn from R3bn and efforts to improve profitability were reflected in the group's overall trading margin, which rose to 4.5 per cent from 4.0 per cent. Overall, trading profit rose 25.8 per cent to R381.5m from R303.2m on group sales of R8.6bn against R7.7bn.

Premier Food Holdings, the unlisted wholesale operation, reported a 31 per cent fall in sales to R490m from R708.5m. The group expected to raise R70m from the sale of its Johannesburg headquarters and other properties.

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FT FINANCIAL TIMES

Bristol-Myers Squibb Company

Cash offer for Pharmavit Gyógyszer-És Élelmiszeripari Részvénytársaság

(registered under the laws of the Republic of Hungary)

Bristol-Myers Squibb Holdings Limited, a wholly-owned subsidiary of Bristol-Myers Squibb Company, hereby offers to purchase all of the shares of Pharmavit, par value HUF 100 ("Pharmavit Shares"), including all Pharmavit Shares represented by Global Depositary Shares ("Pharmavit GDSs") on the following basis:

for each Pharmavit Share	**US$ 62.35 in cash**
for each Pharmavit GDS	**US$ 12.47 in cash**
(representing one fifth of a Pharmavit Share)	

This offer is made on the terms and conditions to be set out in an offer document which will be despatched to all holders of record of Pharmavit Shares (other than those with addresses within Australia, Canada and Japan) by 22 December 1995. The offer document will also be available for collection from the addresses listed below.

On 13 December 1995, Bristol-Myers Squibb and Pharmavit announced that Bristol-Myers Squibb had agreed to acquire approximately 77% of Pharmavit's share capital, subject to certain conditions. The offer to holders of Pharmavit Shares aod Pharmavit GDSs is conditional upon the completion of this acquisition and valid acceptances of the offer (together with the approximately 77% acquired separately) amounting to not less than 90% of Pharmavit's share capital. These conditions will be set out fully in the offer document.

Following completion of the offer, Bristol-Myers Squibb intends to withdraw Pharmavit's shares from trading on the Budapest Stock Exchange. In this event Pharmavit shareholders who do not accept the offer may have difficulty in selling their shares as there will be no ready market for them.

The last date for receipt of acceptances of the offer is 26 January 1996, unless extended.

The Board of Directors of Pharmavit considers the terms of the offer to be fair and has approved the publication of this announcement.

If you are in any doubt as to the action you should take, you should contact one of the following:

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The contents of this announcement, for which Bristol-Myers Squibb Company and Bristol-Myers Squibb Holdings Limited are responsible, have been approved by J. Henry Schroder & Co. Limited, which is regulated by the Securities and Futures Authority Limited in the United Kingdom, for the purposes of Section 57 of the Financial Services Act 1986.

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The Nippon Credit Bank, Ltd.
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13th December, 1995

Rise limited by downturn in UK construction industry

Chubb advances to £44m

By Geoff Dyer

Chubb Security, the electronic alarms and locks group, increased interim pre-tax profits by 13 per cent from £39.2m to £44.4m ($70m), as it continued to benefit from its four-year programme to reduce costs and increase market share.

Turnover from continuing businesses for the six months to October 13 increased 5 per cent to £383.2m (£366.3m). The shares, which dropped sharply in the week before the figures, rose 16p to 316p yesterday.

The electronic security division increased profits to £21.5m (£19m), with margins rising to 10.8 per cent (9.9 per cent), while profits from physical security – locks and safes – were £21.6m (£19.5m) on operating margins of 11.7 per cent (10.6 per cent).

Mr David Peacock, chief executive, said the figures were held back by the downturn in the construction industry in the UK, which knocked £3m off profits from locks. The spate of bank takeovers in Europe, which has led to consolidation of branches, resulted in a drop in demand for safes.

However, these setbacks were compensated for by a strong performance in Asia, where sales grew 18 per cent to £38.8m (£33m). Chubb is to spend £8m on new manufacturing facilities in Indonesia, China and South Africa, which will more than double its capacity in these countries.

The group spent £10m to buy two small electronic security businesses and intends to make more acquisitions.

Trevor Humphries

David Peacock (left) with John Biles, finance director: a drop in demand for safes

Pearson shares fall 49p after earnings warning

By Christopher Price

Pearson, the media and entertainment group, warned yesterday that earnings per share for 1995 would fall "modestly below" analysts' expectations and confirmed e restructuring of its board.

The shares fell 7 per cent to close at 618p, 49p down.

Mr James Joll, finance director, is to step down next April and leave the board at the end of 1996. Mr John Makinson, managing director of the Financial Times newspaper, is to succeed him. Also joining the board are Mr Greg Dyke, chairman and chief executive of Pearson Television, and Mr David Bell, chief executive of the Financial Times Group.

Following Pearson's statement, analysts, who had been forecasting earnings per share of between 29.3p and 34p, adjusted 1995 estimates to 27p-28p a share. Last year, Pearson made adjusted earnings per share of 34.1p.

Pearson, which took a £18m charge to cover reorganisation costs in the first half, said it would be taking a further £32m in the second six months.

Half would be spent on miscellaneous reorganisation across the group. The remainder would be used to restructure the company's back office operations, which would take two to three years and involve further, albeit lower, provisions in 1996.

Trading was ahead in television operations. Grundy Worldwide, which was bought in May, was ahead of profit expectations. FT Information, which includes Extel and the recently-acquired Interactive Data Corporation, would also beat forecasts, the company said.

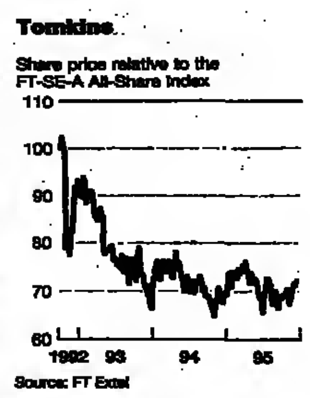
Newspaper operations were "trading satisfactorily", and there was positive news on the Spanish newspaper operations end UK consumer magazines.

However, Pearson said there was little sign of improvement in the gronp's other businesses.

LEX COMMENTS

Tomkins

The proposed $1bn Gates acquisition is a move back to basics by Tomkins. Mr Greg Hutchings, chairman of the UK conglomerate, has argued vociferously thet his management can add as much value to bread as to basic industrial products – but the market has never believed him. Since Tomkins bought food group Ranks Hovis McDougall in October 1992, its shares have lagged behind the stock market by 30 per cent. By contrast, the purchase of Gates, which makes rubber belts and hoses for cars, sent the shares up 3 per cent. It looks like a typical Tomkins deal. Gates is profitable and growing. Its sales increased 7 per cent to $1.4bn in 1994 and have risen by 18 per cent so far this year. But as it is a family-run company, there is probably room to improve margins. Sales per employee are a fifth lower than those of Tomkins. There is a worry thet Gates exposes Tomkins to the US car industry just as it heads for the next downturn. But two thirds of the US group's sales are to the less cyclical spares market. And Tomkins did well with Philips Industries, which it bought in 1990 at the start of the US recession.



Depending on the final price, the purchase is expected to enhance earnings per share by 5-10 per cent. By funding it with convertible preference shares, Tomkins neatly avoids issuing equity at what it considers to be a depressed price and maintains its strong balance sheet. This deal should allow the group to put three years of underperformance behind it.

UK roads

The latest leaked proposals to privatise Britain's road network may come to nothing. With a general election less than 18 months away, the Tory government may well lack the stomach for a controversial transport policy. Privatisation would have to be accompanied by charges for using the roads, something the Labour opposition could easily paint as a new tax. But even if the cabinet backs the transport secretary's proposals, nothing could be done until after the election, which the Tories will probably not win anyway.

That said, privatising Britain's roads would be a good idea. One advantage would be less pollution and congestion, as charges would give motorists an incentive to drive less. If the evidence of other privatised industries is anything to go by, private ownership would also lead to lower operating and capital costs. The government's current private finance initiative, which aims to introdnce commercial disciplines into the public sector, is only a half-way house.

Privatisation could benefit the public purse too. As much as £75bn could be raised, according to some estimates. The government would also no longer need to finance its road-building programme. Such calculations, of course, depend on the assumption that a new source of money – such as higher fuel duty or tolls – would be found to finance the road network. If cash were simply diverted from the revenne the government currently collects from motorists, the net benefit to the public finances over the long run would be minimal.

Safety standards aid First Technology

By James Harding

Higher car safety standards have raised the demand for crash test dummies and crash activated fuel cut-off sensors, enabling First Technology to lift interim profits by 16 per cent.

The automotive safety and sensing specialist reported pre-tax profits of £3.28m (£2.82m) on sales of £18.1m (£16.4m) in the six months to October 31.

The shares fell 18p to 440p.

Dr Fred Westlake, chairman, said he could not explain the movement in the market, but forecast "even better results in the second half", typically the stronger trading period.

Although the company acknowledged that there was sluggish demand for new cars in the main European, Japanese and American markets, it saw every reason to be "very positive ... as car buyers now see safety as a key factor when choosing a new vehicle".

The sensor business progressed well as more European car manufacturers had started fitting crash activated fuel cut-off sensors. The manufacturing facility at Sochaux in France had come on stream.

Demand for crash test dummies had been growing as manufacturers had started using air bags in more cars and in different positions.

Bermuda buys as Lloyd's changes

By Ralph Atkins, Insurance Correspondent

Two Bermuda insurance companies yesterday announced significant investments at Lloyd's of London, highlighting the pace of change at the 300-year-old market and among the mid-Atlantic island's insurers.

Mid-Ocean, one of Bermnda's largest reinsurers, has acquired a 51 per cent controlling stake in an enlarged Brockbank, an agency running some of the most profitable syndicates at Lloyd's. Mid-Ocean has invested £50m ($79m) to support underwriting on syndicates managed by the Brockbank group.

Separately, Terra Nova, which already has a substantial UK presence, has bought the on-going business of the Octavian managing agency, and is investing £12.5m to support underwriting next year with at least a further £37.5m available over the next few years.

The deals accelerate the progression of Lloyd's towards a market dominated by corporate investors which own the agencies responsible for underwriting. That trend is creating vehicles akin to conventional insurance companies bnt trading under the Lloyd's umbrella. Further Lloyd's deals involving Bermuda insurers are expected.

Despite uncertainties over the future of Lloyd's, corporate capital is continuing to replace funds pledged by Names, individuals whose assets have traditionally supported Lloyd's, the insurance market.

The acquisitions – the first such deals by Bermuda insurers – also mark a maturing of the island's fast growing insurance companies, which have benefited from Bermuda's soft tax and regulatory regime but are anxious to find new sources of business.

Prospects fade for rival Cluff offer

By Kenneth Gooding, Mining Correspondent

Prospects of a rival bid for Cluff Resources, the London listed gold mining company with operations in Africa, faded yesterday when Ashanti Goldfields of Ghana, which has made a recommended £86m offer for Cluff, revealed it had bought more shares in the target company.

This has taken Ashanti's holding in Cluff to 29.9 per cent and it also has irrevocable undertakings from Cluff directors to accept in respect of their holdings, totalling a further 2.4 per cent.

In the formal offer documents sent out yesterday, Mr Algy Cluff, chairman, says he intends to accept Ashanti shares in respect of the majority of his beneficial holding in Cluff, rather than the cash alternative.

Ashanti expects to achieve savings in administration costs for Cluff's Ayanfuri mine and its materials bill.

Cluff's London head office costs will also be reduced and Ashanti's hedging programme will increase the average price Cluff receives for its gold. Cluff is also paying a relatively high rate of interest on its debt and this will fall.

Unicorn valued at £44.5m in placing

By Paul Cheeseright, Midlands Correspondent

Unicorn International, the Stafford-based international abrasives group, is coming to the stock market with a share placing which will value it at £44.5m ($70.31m).

An issue of 17.16m shares, each at 133p, underwritten by Hambros Bank and brokered by Albert E. Sharp, will raise £21.5m net. Trading of the shares starts on December 21.

After the placing, Apax European Buy-in Fund International, a US-registered partnership, and previous owner of Unicorn, will hold 44.8 per cent of the group and the directors 3.1 per cent.

The group in its present shape became part of Foseco Minsep in 1980. Foseco became part of Burmah Castrol in 1990 and Burmah Castrol sold Unicorn to Apax in 1992.

The timing of the listing reflects in part Apax's desire to restructure Unicorn's finances and to realise some of its investment. Of the £21.5m raised, £11.5m will settle an interest free liability Unicorn has with Apax. The balance will settle short-term borrowings. As a result Unicorn will have gearing of 20 per cent, but no short term debt.

Kvaerner threatens action on Amec

Amec, the UK construction group, yesterday reiterated its call for shareholders to reject a £360m hostile bid from Kvaerner, as the Norwegian shipbuilding and engineering group threatened to take legal action over a breach of the Takeover Code.

The Takeover Panel rebuked Financial Dynamics, Amec's former public relations adviser, about the giving of information concerning possible 1996 profits, not publicly available, to an analyst unconnected with the bid.

Kvaerner said last night that Amec shareholders "should disregard entirely such rumours of future profits".

"It is profoundly unsatisfactory that the Amec board, who must have been aware thet this rumour currency was counterfeit, only removed it from circulation when forced to do so by the regulatory authorities." *Andrew Taylor*

PolyMasc valued at £100m

PolyMasc Pharmaceuticals, the London-based biotechnology company which is floating on Aim this month, is placing 25 per cent of its share capital at 100p a share and raising £4.47m in new money. The group, being spun out of a scientific research team at the Royal Free Hospital Medical School Molecular Cell Pathology Unit, originally planned to raise the funds through a pnblic offer.

However, because the offer was 10 times subscribed, the group decided to convert to a placing. It will attain a flotation value of £100m. Following the placing, one quarter of the 25 per cent stake being placed would be in the hands of private investors, with the balance held by institutions. *Motoko Rich*

Trafficmaster seeks £2.9m

Trafficmaster, the Milton Keynes-based provider of live traffic information to motorists, proposes to raise £2.9m ($4.6m) net by way of an issue of 1.1m new shares to institutions at 270½p.

Dealings are expected to start on December 21.

David Smith rises but still cautious

By Christopher Price

David S Smith, the paper, packaging and office products group, raised midway pre-tax profits by 47 per cent from £40.4m to £59.6m ($94m), in spite of volatile trading conditions in the paper market.

Turnover for the six months to October 28 increased 29 per cent to £613m (£475.4m).

In the packaging and paper division, turnover rose 37 per cent to £438m (£319m), mainly due to higher selling prices. Operating profit advanced 52 per cent to £55.5m (£36.2m), with margins improving from 11.4 per cent to 12.7 per cent.

However, Mr Peter Williams, chief executive, cautioned: "This has been such a turbulent period that it is very difficult to predict what margins will be like in the second half."

Both raw material prices and selling prices for waste paper had been volatile during the period, a situation which had continued from the second half of last year.

The Polish snbsidiary, acquired in June, held great potential, the company said. Sales for the months to October 28 totalled £11.7m, with operating profits of £1.6m.

The group was seeking other east European acquisitions. Mr David Buttfield, finance director, said gearing of 36 per cent meant the group was "under-geared." The board would prefer a level of between 40 and 60 per cent.

Peter Williams: difficult to predict second half margins

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Apollo Metals	Yr to Sept 30	57.1	(33.7)	3.17	(0.281)	7.7†	(nil)	2.8	Feb 22	2.4	3.9	3.6
Archer	Yr to Sept 30	11.8	(10.7)	0.6	(0.24L)	1.1	(0.9L)	0.5	Feb 23	0.5	1	1
Baggeridge Brick	Yr to Sept 30	36.1	(37.7)	4.71	(5.81)	7.59	(9.68)	2.375	Feb 14	2.375	3.125	3.125
Birkby	6 mths to Sept 30	27.2	(32.2)	3.82	(4.13)	6.3	(8.2)	2.2	Apr 3	2	-	7.4
Bulmer (HP)	6 mths to Oct 27	138.7	(130.1)	16♠	(14.3)	19.4	(17.3)	4.55	Feb 19	4.25	-	12
Chemring	Yr to Sept 30	71.1	(53.1)	8.61	(8.49)	24.2	(21.3)	7.32	Feb 18	6.56	10.9	9.8
Chubb Security	6 mths to Oct 13	383.2	(371.8)	44.4♥	(39.2♥)	9.8	(8.2)	2.6	Feb 14	2.32	-	7.32
Countryside Props	Yr to Sept 30 ★	148.2	(149.1)	10.8L♠	(5.91)	12.7L	(8.3)	1.39	Apr 9	2.8	2.8	4.21
East Midlands Elec	6 mths to Sept 30	582	(619.3)	98.7♥	(86♥)	24‡	(30.2)	9.2‡	Feb 2	8.6	-	29
ERF	6 mths to Sept 30	112.6	(91.8)	1.09	(0.801)	5.14	(4.8)	2	Feb 2	2	-	4.5
First Technology	6 mths to Oct 31	18.1	(16.4)	3.28	(2.82)	13.5	(11.77)	3.2	Mar 4	2.8	-	7
Grainger Trust	Yr to Sept 30	45.2	(29.3)	6.12♥	(5.65)	17.3	(18.9)	5	Mar 1	4.55	6.5	5.9
Hamlet	6 mths to Sept 30	42.4	(34.8)	2.62	(2.32)	4.94	(4.44)	2.2	Feb 29	2.1	-	6.3
MFI Furniture	28 weeks to Nov 11	380.8	(363.1)	30.1	(29)	2.37	(3.3)	1.5	Feb 2	1.5	-	4.25
Smith (David S)	6 mths to Oct 28	612.9	(475.4)	59.6	(40.4)	14.6	(10.2*)	2.45	Mar 11	2.125*	-	6.5*
Stirling	6 mths to Sept 30	46.2	(42.2)	2.06♥	(2.22♥)	1.61	(1.7)	0.63	Jan 22	0.6	-	2.05
Tinsley (Eliza) §	6 mths to Sept 30	11.7	(7.7)	0.467	(0.407)	3.8†	(3.6)	2	Feb 1	1.96	-	5.61
Widney	Yr to Sept 30	34.7	(31.2)	1.65	(1.19)	0.82†	(0.73)	0.2	Apr 6	0.2	0.275	0.2
Worthington	6 mths to Sept 30	12.8	(12.2)	0.909	(0.811)	2.57	(2.38)	0.8	Apr 4	0.7	-	2.2
Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
New Zealand	Yr to Oct 31	241.6	(191.72)	0.481	(0.261)	4.74	(2.81)	2.25大	-	1.5大	3.5大	2.5大
Ptarmigan Intl	6 mths to Nov 30	-	(-)	0.051	(0.057)	1.05	(1.18)	1.6	Jan 25	1.7	-	3.5

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. †On increased capital. ♠After exceptional charge. ♥After exceptional credit. ★Comparatives restated. ‡On reduced capital. ‡Special of 120p also declared for payment on March 29. *Adjusted for share subdivision. §USM stock. 大Foreign income dividend.

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The Financial Times plans to publish a Survey on

Franchising

on Tuesday, March 12th.

This survey will focus on areas such as research for potential franchises, explores sources of funding available and highlights the specialist help available.

For more information, please contact

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Floating Rate Notes due 2000

With effect from the date falling 48 days after the publication of this notice, Standard Chartered Bank acting through its office at 22 Billiter Street, London EC3M 2RY, United Kingdom has been appointed Fiscal Agent, Principal Paying Agent and Registrar in respect of the above-captioned Notes in place of Standard Chartered Capital Markets Limited.

Fiscal Agent

Standard Chartered

Standard Chartered Capital Markets Limited

14th December, 1995

HongkongBank

The Hongkong and Shanghai Banking Corporation Limited

(Incorporated in Hong Kong with limited liability)

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PRIMARY CAPITAL UNDATED FLOATING RATE NOTES

(SECOND SERIES)

Notice is hereby given that the Rate of Interest has been fixed at 6.0625% and that the interest payable on the relevant Interest Payment Date March 14, 1996, in respect of US$5,000 nominal of the Notes will be US$75.82 and in respect of US$100,000 nominal of the Notes will be US$1,532.47.

December 14, 1995, London

By: Citibank, N.A. (Issuer Services), Agent Bank CITIBANK

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COMMODITIES AND AGRICULTURE

EU 'should increase dairy quotas'

By Deborah Hargreaves

European Union dairy quotas should be elowly increased rather than reduced in order to make them less valuable and easiar to abolish after 2000, according to Mr Andrew Dare, chief executive of Milk Marque, the UK farmers' dairy co-operative.

Mr Dare told a group of British MPs yesterday that he was worried that unless quotas were very carefully removed after 2000, there would be a big surge in production.

He believes that the EU should put an overall limit on gross production, but gradually increase the amount of milk available. "After a number of years, you will find the price of quota drops significantly," he told the select committee.

But, the current common agricultural policy was going about it in "exactly the opposite way", he said, because officials were seeking to cut quotas.

Mr Dare advocated a number of ways to reduce the value of quotas including a system for transfer of quotas between member countries, lower support prices for milk and increasing qnotas. He stated that a safety net of intervention prices at sensible levels should protect farmers from big fluctnations in world prices.

Mr Dare defended Milk Marque's own selling system, which had been put in place after the demise of the government's statutory purchasing body, the Milk Marketing Board, last year. The Dairy Industry Federation, which represents dairy companies has complained to the Office of Fair Trading about the sales' system.

Mr Dare called the complaint a "political decision". He said he had discussed all aspects of the selling system with the OFT before going ahead with it and had letters to prove it.

"I would feel it was an injustice if we were referred to the Monopolies and Mergers Commission and I've made that point to the OFT," he said. The OFT report on Milk Marque is due out early next year.

WTO expects world prices to remain firm

By Frances Williams in Geneva

World prices for dairy products are expected to remain firm well into 1996 as a result of limited export suppbes, declining stocks and lower subsidies, the World Trade Organisation says in its first annual report on the international dairy products market.

The WTO notes that both the European Union and the US, the world's biggest dairy producers, have cut oubsidies on exports this year to conform with the Uruguay Round accord on liberalising trade in agriculture.

World milk production, which slipped 3m tonnes to 525m tonnes in 1994, is expected to increase slightly in 1995 as further falls in central and eastern Europe and the Commonwealth of Independent States are outweigbed hy growth elsewhere.

The world market for milk powders has been quite tight, the WTO says. Higher demand has coincided with reduced export supplies, especially for skimmed milk powder from Europe. Prices for hotb skimmed milk and whole milk powders have strengthened considerably and there has been a significant decline in stocks.

World butter production has continued to drop, but world consumption appears to have levelled off after a long-term decline, the WTO says. World prices for butter reached near-record levels in September 1995 while stock levels continued to fall.

Cheese prodnction and coneumption is still growing steadily by 1 to 2 per cent a year, accompanied by a growth in world trada and relatively high prices, the WTO says.

Like its predecessor, the General Agreement on Tariffs and Trade, the WTO administers an international dairy accord whicb has operated since 1980. However, only the EU and eight other countries are members of the agreement, which aims to expand and liberalise world trade in dairy products under stable market conditions.

In October the International Dairy Council, tha accord's governing body, decided to suspend its minimum price proviolons until the end of 1997 because it said the absence of major dairy exporting countries such as Australia and the US made their operation untenable.

The World Morket for Dairy Products 1995. Available on request from the WTO secretariat, Centre William Rappard, 154 rue de Lausanne, CH-1211 Geneva 21.

Swedish farmers play up welfare in export drive

By Deborah Hargreaves

Swedish farmers are hoping to double their exports to Britain over the next two years, from the current level of Skr213m (US$32m) by stressing their high animal welfare standards and low pesticide usage.

"We are coming to Britain with a message we bope conoumers will understand because we think you have the same value system as us," said Mr Jan Olof-Bengtsson, from Food from Sweden.

Swedish farmers pride themselves on having some of the most stringent animal welfare rules in the world, according to Ms Gunnela Stahle, agronomist at the Federation of Swedish Farmers.

In recent years farmers have adopted tough new rules to improve living conditions for farm animals. They have also agreed to use antibiotics for their stock only when prescribed by a vet.

The Swedish animal protection act, which was passed in 1988, states that animals should be given the possibility to bebave naturally hy, among other things, the provision of pasture for cows in summer, loose housing for sows, straw for calves and pigo and increased space for pigs.

From 1999 Sweden will ban battery cages for hens and increase the size of cows' stalls. The use of growth hormones has never been allowed in Sweden and farmers say they will resist any relaxation in the European Union's current ban on bormones.

"Obviously it costs a little bit more to prodnce like this, but we can be as efficient as our competitors with our system," said Ms Stahle.

She said that some studies had obown that Sweden's more animal-friendly production systems added Skr1 a kilogram to the cost of producing pork. But other studies indicated that it was cheaper to produce this way because farmers saved on the costs incurred through illness.

Ms Stahle reckoned Swedish consumers were prepared to pay more for humanely-produced produce and she hoped that British shoppers would be similarly motivated.

Sweden was boping to increase its exports of pork, chicken, eggs and cheese to the UK. "Wa're looking for quality niches, we can't compete on price," Mr Olof-Bengtsson said.

The current marketing campaign for Swedish food in Britain – the first ever – is financed hy a £1m hudget from the Swedish government. The promotion will Include samplings, consumer literature and stands at food exhibitions.

Panama copper mine investment may double

By Robert Gibbens in Montreal

The big Petaquilla copper-gold project near Panama City could be doubled in size following studies by consultants Fluor Daniel Wrigbt. This would nearly double the investment required to US$800m, from $450m.

Petaquilla has been explored over the past three years by Adrian Resources (52 per cent) and Inmet (48 per cent), and Teck, the hig Canadian resource group, stands to earn half Adrian's interest in return for feasibility studies and arranging finance.

Doubling annual output to nearly 400m lb of copper and 94,000 troy ounces of gold was one of several options for Petaquilla, Teck said. Final feasibility etudies are due next November.

The latest drilling results indicate a donbling of ore reserves to 1.1bn tonnes and a mine life of 25 years.

● Placer Dome will make production decisions next year on at least five new gold projects in Canada, the US, Venezuela, Australia and Mexico. They would replace declining production from some existing mines and raise overall gold output by about 25 per cent to about 2.5m ounces by 2000 at an initial cost of US$1.5bn.

Development of a northern Ontario property ehould start next spring and the 60 per cent-owned Pipeline property in Nevada by mid-year. The 70 per cent owned Las Cristinas property in Venezuela could start producing in 1998 if construction atarts next year, Placer said, while the smaller Australian and Mexican heap-leach projects could get a go-aheads late in 1996.

It will spend US$100m on North American and Latin American exploration in 1996, up from $80m this year. Average cash cost of production will fall to $211 an ounce in 1996 from $220 in 1995.

Plan for subsidy cuts finds favour with US farm groups

Laurie Morse explains why farmers do not want aid programmes to be extended for one more year

If the political gridlock in Washington is cleared by the end of this month, US farmers stand to gain from generous subsidy programme revisions designed by Republicans, who understand the farm vote could influence next year's presidential elections.

Despite the promise of major domestic subsidy reforms this spring and summer, emptying the agricultural pork barrel in a pre-election year bas always been difficult. This year, in proposals agreed by Congress, farmers face about $12bn in subsidy cuts over the seven-year life of the new farm budget.

Those cuts mostly result, however, from the setting of a farm budget "baseline" derived from last year'e produce prices. Farm lobbyists agree that if current farm programmes were simply extended net farm income – and taxpayer outlays to farmers – would be far less next year than if the new "market transition" programme being championed in Congress were adopted.

In fact, with the budget process stalled by partisan politics, the farm belt's biggest fear is that current farm aid programmes, which gave farmers $150bn in direct payments over the past decade – will be extended for one more year. With wheat prices at 15-year highs and feed grain prices also at the top of their historical ranges current programmes, which are linked to market prices, would not yield any government pay-cheques next year.

Furthermore, if a year of high market prices is factored into budget baseline projections and the Repuhlicans' "market transition" subsldy reforms are adopted a year from now, farm economists say the higher baseline would cut farm payments by an additional $6bn to $8bn over the ensuing six years.

The year-end date is crucial to farmers, not only because they must make spring planting decisions soon, but because US farm law will revert to an obscure 1949 agricultural act if Congress does not extend current agricultural policy or enact new farm laws by tha year-end.

"We're pushing hard not to have a one-year extension", said Mr Keith Heard, chief lobbyist for National Corn Growers, one of the biggest and most influential farm groups in Washington.

The fact that farm groups are lobhying eo hard for $12bn in subsidy "cuts" is surprising only to peopla who don't understand the new farm proposals.

Farm-state legislators, led by Congressman Pat Roberts, a Kansas Republican with close ties to Republican presidential front-runner Robert Dole, have designed a new farm policy that would make direct payments to farmers over the next seven years regardless of market prices.

Farmers would be freed from land set-aside requirements and would he allowed to plant anything they wanted on acres supported by the government subsidies. Thus, under tha new programme, grain farmers next year could plant more acres than ever, receive high market values for their harvest, and still be entitled to government subsidies.

Furthermore, the guarantee of government cheques next year eases a potential $1hn cash-flow prohlem in farm country. US wheat and maize growers received ahout that amount in advance government payments last spring, only to find that market prices rose oo high they were not entitled to the money.

"If current farm programmes are extended, there won't be any subsidy cheques next year, and farmers will have to pay the government back out of other resources," said Mr Jon Scholl, director of national legislation for the Illinois farm bureau.

Although Mr Roberts initially proposed abandoning a low-interest farm loan programme and cutting the size of tha 36m-acre voluntary "conservation reserve", which pays farmere not to plant, both those features have been preserved in the market transition compromiee. Agricultural economists have criticised tbese programmes hecause they limit the amount of grain the US has to sell at a time wben world demand, and prices, are rising.

The seven-year guarantee of government payments, albeit diminishing ones, is important as US farmers age and rural communities seek a transition to more diversified economies. In Mr Roberts' state, for example, the average age for farmers is 54 years. By the end of the seven-year programme, most would be nearing retirement and seeking a way to free up their significant investment in real estate with minimum tax consequences.

For this reason, says Mr Scholl, farmers in his state have as much interest in budget provisions that would give capital gains tax and estate tax relief as in specific farm legislation.

"These provisions can make a real difference for farmers, and would enahle them to make up through lower costs what is lost in the farm budget process," he said.

Balancing the federal bndget is also high on the farm agenda. Economists calculate that for every 1 per cent drop in interest rates associated with lower government borrowings, there is some $18bn in interest savings for US agriculture.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1649.5-50.5	1682-83
Previous	1645.5-46.5	1679-80
High/low	1648.5/1647.6	1685/1677
AM Official	1647-47.6	1678-78.5
Kerb close		1683-4
Open int.	233,981	
Total daily turnover	47,488	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1415-25	1455-65
Previous	1410-20	1450-60
High/low		1455/1445
AM Official	1405-15	1445-55
Kerb close		1455-60
Open int.	5,049	
Total daily turnover	1,720	

■ LEAD ($ per tonne)

Close	733-35	729-30
Previous	736-37	733-34
High/low	735/732	732/722
AM Official	735-35.5	730-31
Kerb close		728.5-29.0
Open int.	35,218	
Total daily turnover	10,094	

■ NICKEL ($ per tonne)

Close	8150-60	8275-80
Previous	8170-80	8295-300
High/low	8125	8260/8230
AM Official	8125-30	8250-55
Kerb close		8260-70
Open int.	43,575	
Total daily turnover	9,975	

■ TIN ($ per tonne)

Close	6360-70	6360-65
Previous	6375-85	6380-85
High/low		6365/6345
AM Official	6355-65	6358-60
Kerb close		6350-55
Open int.	15,621	
Total daily turnover	2,923	

■ ZINC, special high grade ($ per tonne)

Close	1035.5-6.5	1061-62
Previous	1041-42	1066-67
High/low		1064/1060
AM Official	1036.5-7	1062-62.5
Kerb close		1059-60
Open int.	82,567	
Total daily turnover	17,526	

■ COPPER, grade A ($ per tonne)

Close	2990-95	2705-10
Previous	2956-60	2688-90
High/low	2985/2970	2714/2677
AM Official	2968-70	2693-94
Kerb close		2713-14
Open int.	178,397	
Total daily turnover	67,750	

■ LME AM Official £/$ rate: 1.5321
LME Closing £/$ rate: 1.5325

Spot: 1.5324 3 mths: 1.5300 6 mths: 1.5274 9 mths: 1.5246

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	136.50	+2.40	136.60	134.50	1,037	6,165
Jan	130.60	+2.20	130.80	128.50	183	2,455
Feb	127.05	+2.25	127.30	125.10	30	998
Mar	123.65	+2.10	124.25	122.00	4,428	15,212
Apr	121.95	+1.90	-	-	90	556
May	120.25	+1.70	120.60	119.50	131	2,749
Total					6,565	35,989

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	387.60-387.90		
Opening	388.10-388.40		
Morning fix	388.10	253.379	456.212
Afternoon fix	387.60	252.788	456.508
Day's High	388.10-388.40		
Day's Low	387.10-387.40		
Previous close	388.30-388.70		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.73	6 months	3.01
2 months	2.74	12 months	3.08
3 months	2.88		

Silver Fix	p/troy oz.	US cts equiv.
Spot	336.65	515.75
3 months	341.25	521.95
6 months	345.70	527.95
1 year	354.65	539.40

Gold Coins	$ price	£ equiv.
Krugerrand	390-391	254-255
Maple Leaf	398.85-401.35	
New Sovereign	90-92	58-60

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	386.4	-1.8	388.4	386.5	109	1,348
Feb	387.9	-1.9	390.1	387.5	14,424	59,812
Apr	389.9	-1.9	391.6	389.6	327	14,754
Jun	392.0	-1.9	393.4	391.9	35	21,125
Aug	394.1	-1.8	-	-	-	-
Oct	396.3	-1.8	-	-	-	-
Total					14,972	144,601

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	409.6	-5.9	414.5	409.5	3,677	12,192
Apr	411.0	-6.0	416.0	411.4	2,097	5,945
Jul	411.8	-6.5	416.0	416.0	20	1,888
Oct	413.2	-6.5	417.4	417.4	66	1,015
Jan	414.2	-6.5	423.5	423.5	20	25
Total					6,080	21,065

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	134.45	-1.75	-	-	4	166
Mar	135.85	-1.75	137.50	134.60	1,126	5,533
Jun	137.35	-1.75	-	-	-	361
Total					1,303	6,060

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	507.5	-5.4	512.0	505.0	60	117
Jan	508.7	-5.5	514.0	512.0	5	37
Mar	514.5	-5.5	521.0	510.5	12,113	60,752
May	519.2	-5.4	525.0	514.5	74	10,126
Jul	523.8	-5.3	529.0	521.0	246	6,958
Sep	526.1	-5.3	531.0	524.0	211	0,775
Total					12,719	95,383

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	18.94	+0.21	18.98	18.72	38,544	60,968
Feb	18.62	+0.20	18.65	18.42	31,956	71,078
Mar	18.36	+0.16	18.37	18.22	14,345	29,835
Apr	18.14	+0.13	18.17	18.02	6,359	21,320
May	17.98	+0.11	17.98	17.89	3,154	11,759
Jun	17.82	+0.08	17.83	17.77	3,686	25,033
Total					104,860	351,452

■ CRUDE OIL IPE ($/barrel)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	17.85	+0.22	17.85	17.69	17,380	20,112
Feb	17.52	+0.16	17.53	17.35	20,115	67,172
Mar	17.22	+0.14	17.22	17.09	5,037	22,372
Apr	16.96	+0.09	16.97	16.87	1,405	9,301
May	16.74	+0.03	16.80	16.71	595	5,041
Jun	18.58	-	16.84	16.58	461	9,291
Total					-	-

■ HEATING OIL NYMEX (42,000 US galls. c/US galls.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	57.45	+0.64	57.55	56.15	27,832	45,074
Feb	55.95	+0.56	56.00	55.00	15,865	38,916
Mar	53.50	+0.36	53.60	53.00	4,726	17,824
Apr	51.15	+0.26	51.15	50.80	640	5,071
May	49.30	+0.06	46.40	49.00	1,038	6,424
Jun	48.50	-0.09	48.75	48.50	382	9,132
Total					61,825	138,584

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	170.50	-	168.00	164.75	8,341	7,218
Jan	167.50	+0.50	169.50	167.50	7,192	34,196
Feb	164.00	+0.50	165.75	164.00	3,362	15,982
Mar	161.50	+2.00	161.75	161.00	1,126	6,104
Apr	157.25	+0.75	158.25	157.25	375	2,434
May	156.00	-1.25	156.00	156.00	10	1,209
Total					15,411	78,407

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	2.295	-0.060	2.298	2.230	16,827	38,101
Feb	2.175	+0.038	2.180	2.126	9,289	28,883
Mar	2.005	+0.040	2.010	1.960	3,551	17,967
Apr	1.855	+0.035	1.860	1.820	1,493	12,376
May	1.790	+0.025	1.795	1.765	415	10,157
Jun	1.770	+0.016	1.780	1.750	280	7,012
Total					35,886	164,965

■ UNLEADED GASOLINE
NYMEX (42,000 US galls. c/US galls.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	57.15	+1.57	57.25	55.55	12,349	24,111
Feb	55.65	+0.68	55.70	54.00	8,074	21,483
Mar	54.70	+0.37	54.70	54.10	4,370	9,850
Apr	56.60	+0.27	56.65	56.15	726	5,796
May	56.20	+0.15	56.20	55.90	628	4,529
Jun	55.50	+0.05	55.50	55.30	65	2,086
Total					26,468	71,290

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	123.50	-0.30	123.25	122.75	155	1,967
Mar	125.50	-0.20	125.30	124.65	247	2,472
May	127.50	-0.20	127.50	126.65	270	3,358
Jul	129.50	-0.20	129.50	129.00	7	367
Sep	111.90	-0.35	-	-	-	72
Nov	113.75	-0.25	113.75	113.50	109	839
Total					788	9,081

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	515.75	+1.75	516.90	511.00	1,896	4,028
Mar	506.50	-	511.00	505.50	12,749	57,176
May	467.50	+0.25	471.75	466.50	1,048	7,590
Jul	429.50	-0.75	432.50	426.50	3,436	24,894
Sep	430.00	-0.75	433.00	427.50	89	4,465
Dec	437.50	+1	439.50	435.00	70	1,913
Total					19,289	100,122

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	338.75	+2	340.50	338.50	8,959	12,343
Mar	348.00	+1.5	349.25	346.25	37,743	302,576
May	350.00	+1.75	351.00	348.00	6,746	60,017
Jul	346.50	+2.5	347.00	344.00	4,634	63,443
Sep	300.50	+0.75	301.25	299.50	965	12,977
Dec	289.25	+1	290.25	288.00	2,624	33,234
Total					61,798	490,805

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	114.15	-0.15	113.75	113.75	25	580
Mar	116.30	+0.30	116.00	115.75	33	842
May	118.00	+0.85	118.00	117.00	12	395
Sep	109.50	-	-	-	-	20
Nov	111.05	-0.60	110.85	110.85	20	16
Total					80	1,863

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	722.75	+6.75	724.50	715.50	24,357	73,055
Mar	731.75	+7	733.50	724.50	10,868	57,028
May	734.25	+7	735.00	726.75	2,809	16,755
Jul	732.75	+5.75	735.00	727.00	2,555	22,819
Aug	728.50	+6.5	730.50	722.50	181	1,751
Sep	708.50	+5	710.00	705.00	122	1,860
Total					42,624	192,568

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	25.05	+0.27	25.32	24.87	379	991
Jan	25.14	+0.27	25.40	24.94	5,742	30,722
Mar	25.52	+0.31	25.75	25.25	3,827	38,027
May	25.80	+0.28	26.05	25.59	1,092	12,062
Jul	26.02	+0.3	26.23	25.79	1,260	9,500
Aug	26.10	+0.32	26.35	25.83	64	2,220
Total					13,180	88,679

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	226.8	+1.9	228.0	224.8	4,003	3,746
Jan	229.3	+2.3	230.0	226.7	10,414	38,242
Mar	232.3	+2.1	233.7	230.0	6,424	44,845
May	231.3	+1.5	233.0	228.6	1,747	11,931
Jul	231.1	+1.9	232.0	229.1	1,578	11,709
Aug	227.2	+0.5	229.0	227.0	600	1,761
Total					26,185	114,876

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	270.0	-	-	-	-	-
Apr	258.3	-3.2	260.0	257.0	25	1,195
May	292.5	-7.5	-	-	-	6
Jun	325.0	-	-	-	-	-
Total					25	1,203

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	1655	+5	1665	1650	20	207
Jan	1655	-15	1690	1650	138	1,375
Apr	1620	-13	1650	1615	117	1,497
Jul	1398	-32	1445	1420	42	596
Oct	1513	+8	1500	1500	2	163
Jan	1535	+11	-	-	-	21
Total					335	3,993

	Close	Prev
BFI	1631	1610

FUTURES DATA
All futures data supplied by CMS.

Nuts and Seeds
Prices from Kenkko Group; US$ a tonne. Iranian pistachios 28/30 raw (in shell) naturally opened (round); new crop 3,500 CFR/FOT MEP, 26/28 3,600 CFR/FOT MEP - supplies now arriving in Europe. US almonds (shelled) 23/25 NPSSR 1995 crop at 6,150 FAS, weak. US walnuts (shelled) light halves and pieces, 1995 crop at 6,060 FOB; firm. Shipments slightly delayed because of late harvest. Indian cashews, raw, SW crop, 1995 crop, origin supplies at 5,950 FOT, spot; W-320 spot, sold out. Turkish hazelnut kernels, 13/15 standard 1s, 1995 crop at 2,850 CFR MEP, uncertain. New EU duty rate of 3% proposed; difficulties likely on fixed price contracts. Russian snow white pumpkin seeds; 1995 crop, long, grade A, at 2,150 FCA MEP. Chinese pine nut kernels, grade A, 1995 crop at 5,150 CFR MEP, December/January shipment.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	865	-15	900	895	26	72
Mar	931	-10	943	929	4,160	36,514
May	950	-10	962	948	839	14,557
Jul	969	-9	978	968	602	6,858
Sep	988	-10	1000	987	1,219	27,836
Dec	999	-9	1010	999	485	7,200
Total					8,591	116,138

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	1282	-13	1310	1310	7	63
Mar	1299	-11	1317	1295	4,290	38,975
May	1318	-12	1336	1317	610	13,453
Jul	1340	-10	1351	1338	24	5,191
Sep	1360	-11	1376	1357	61	9,883
Dec	1386	-10	1395	1387	10	8,074
Total					5,262	78,284

■ COCOA (ICCO) (SDR's/tonne)

	Price	Prev. day
Dec 12		
Daily	943.45	945.79

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	2278	+82	2283	2150	1,995	12,240
Mar	1872	-11	1890	1840	2,591	12,808
May	1773	-12	1792	1755	1,196	5,298
Jul	1728	-8	1741	1730	513	3,317
Sep	1693	-27	1720	1705	395	763
Nov	1685	-38	-	-	-	261
Total					6,680	34,709

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	107.75	+1.95	108.00	106.00	132	508
Mar	104.70	+2.05	105.70	102.20	5,708	19,108
May	103.30	+2.00	103.90	101.00	513	3,868
Jul	102.95	+1.75	103.50	101.20	82	1,294
Sep	102.90	+1.70	102.90	100.80	63	741
Dec	103.00	+1.80	103.00	102.50	73	592
Total					6,572	26,110

■ COFFEE (ICO) (US cents/pound)

Dec 12	Price	Prev. day
Comp. daily	101.24	101.24
15 day average	107.37	108.57

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	13.25	-	-	-	-	-
Mar	10.90	-	-	-	-	-
May	11.19	-	-	-	-	-
Jul	11.19	-	-	-	-	-
Total						

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	352.5	-0.7	353.3	351.0	906	14,809
May	342.2	-1.9	344.0	341.5	415	6,737
Aug	333.2	-2.2	335.0	332.5	242	3,861
Oct	305.9	-1.8	306.9	304.9	59	3,258
Dec	299.4	-1.9	299.5	299.5	1	1,604
Mar	296.0	-1.9	298.3	297.2	26	311
Total					1,628	30,787

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	11.37	-0.09	11.41	11.32	7,869	85,052
May	10.97	-0.13	11.03	10.96	2,251	24,424
Jul	10.46	-0.07	10.49	10.43	1,646	16,878
Oct	10.21	-0.06	10.24	10.21	502	18,499
Mar	9.92	-0.07	10.00	9.92	46	10,833
May	9.84	-0.06	-	-	32	1,358
Total					12,356	157,497

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	85.45	+0.80	85.60	84.70	8,183	24,686
May	84.95	+0.78	85.00	84.20	1,127	9,819
Jul	84.31	+0.71	84.45	83.75	753	7,121
Oct	80.25	-0.15	80.30	80.10	95	1,639
Dec	77.83	-0.02	77.85	77.66	587	9,380
Mar	78.45	-0.13	78.50	78.50	1	783
Total					8,794	54,658

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	117.40	-2.00	121.25	117.05	11,437	13,665
Mar	120.75	-4.70	124.25	120.45	2,568	7,840
May	123.50	-4.25	126.00	122.80	54	1,513
Jul	126.25	-3.75	128.50	126.00	15	681
Sep	129.00	-3.25	131.00	127.60	130	925
Nov	128.75	-2.95	-	-	10	510
Total					1,410	26,094

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Dec 13	Dec 12	month ago	year ago
2130.3	2135.5	2172.6	2168.0

■ CRB Futures (Base: 1967=100)

Dec 12	Dec 11	month ago	year ago
243.97	245.34	-	-

■ GSCI Spot (Base: 1970=100)

Dec 11	Dec 8	month ago	year ago
193.48	194.45	-	176.22

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	67.300	+0.075	67.700	67.200	2,563	7,481
Feb	67.225	+0.575	67.250	66.675	13,295	30,814
Apr	67.400	+0.350	67.425	67.050	2,726	15,890
Jun	63.200	+0.425	63.250	62.750	360	6,193
Aug	61.850	+0.225	61.750	61.425	409	4,012
Oct	62.750	+0.200	62.850	62.525	168	3,146
Total					20,037	70,442

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	48.275	+1.025	48.350	47.550	987	2,504
Feb	50.725	+1.075	51.000	49.875	3,130	16,175
Apr	49.975	+0.900	50.300	49.275	1,335	7,242
Jun	54.975	+0.725	55.250	54.300	529	4,889
Jul	54.200	+0.550	54.500	53.600	547	2,294
Aug	53.125	+0.500	53.200	52.600	56	1,521
Total					6,635	35,794

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	60.200	+1.425	60.750	59.190	1,338	5,200
Mar	60.300	+1.400	60.800	59.225	211	901
May	61.200	+1.350	61.850	60.000	29	488
Jul	61.900	+0.925	62.350	61.000	26	533
Aug	58.900	+0.650	59.800	59.200	4	179
Total					1,608	7,289

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Jan	Mar	Jan	Mar
1600	73	107	3	20
1700	12	49	42	60
1800	-	17	130	126
■ COPPER (Grade A) LME	Jan	Mar	Jan	Mar
2700	-	84	-	88
2800	106	46	11	148
2900	41	-	46	-
■ COFFEE LCE	Jan	Mar	Jan	Mar
1500	778	379	-	7
1550	728	333	-	11
1600	678	290	-	18
■ COCOA LCE	Mar	May	Mar	May
950	231	350	42	57
975	208	325	59	74
1000	181	300	79	92
■ BRENT CRUDE IPE	Jan	Feb	Jan	Feb
1650	-	-	-	-
1700	-	56	-	17
1750	-	31	-	37

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Jan)

		+or-
Dubai	$17.08-7.22w	+0.105
Brent Blend (dated)	$17.73-7.75	+0.27
Brent Blend (Jan)	$17.80-7.82	+0.27
W.T.I. (1pm est)	$18.91-8.93w	+0.24

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$169-170	
Gas Oil	$174-175	+0.5
Heavy Fuel Oil	$103-105	
Naphtha	$158-160	
Jet fuel	$196-198	+3
Diesel	$177-179	+2.5

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

Gold (per troy oz)♣	$387.75	-0.75
Silver (per troy oz)♣	518.5c	-6.0
Platinum (per troy oz.)	$412.75	-3.25
Palladium (per troy oz.)	$133.40	-1.60
Copper	125.0c	
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	15.82m	-0.17
Tin (New York)	301.5c	-3.0
Cattle (live weight)†	119.09	-2.41
Sheep (live weight)†♠	116.89	-2.18
Pigs (live weight)†	108.82	+5.38
Lon. day sugar (raw)	$311.5	-0.4
Lon. day sugar (wte)	$383.0	-2.5
Barley (Eng. feed)	£121.25	
Maize (US No3 Yellow)	Unq	
Wheat (US Dark North)	Unq	
Rubber (Jan)♥	113.50p	-0.75
Rubber (Feb)♥	113.50p	-0.75
Rubber (KL RSS No1)	430.5m	-6.5
Coconut Oil (Phil)§	$712.5y	+2.5
Palm Oil (Malay.)§	$585.0z	
Copra (Phil)§	460.0y	
Soyabeans (US)	218.0u	
Cotton Outlook'A' index	88.15c	-0.60
Wooltops (64s Super)	432p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Dec. u Nov/Dec.♥ w Jan. y Dec/Jan. v Oct/Dec London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week. † Prices are for previous day.

JOTTER PAD

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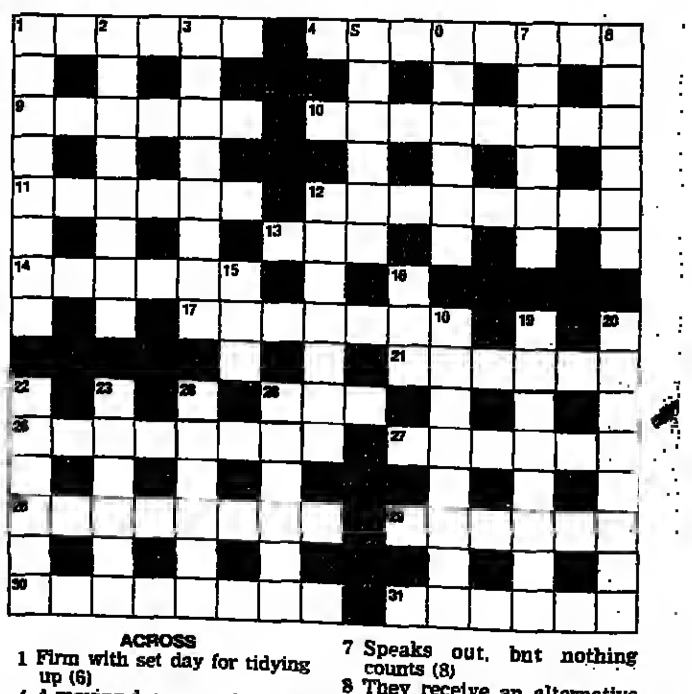


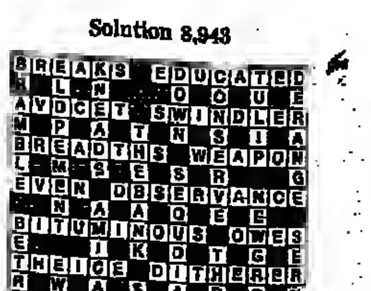
ACROSS

1 Firm with set day for tidying up (6)
4 A moving document (8)
9 Go off every single player (6)
10 Bearing the cost of conveyance (8)
11 Fiod a top man comes in behind schedule (6)
12 Gather fruit is to be served again (8)
13 Ate a small portion of stuffed turkey (3)
14 Possibly push to a conclusion (6)
17 Irritated but clear-headed (7)
21 Sea-bed made lower (6)
25 A member of a military force (3)
26 Spot-on bill presented by 20 (8)
27 Cloth: the French will get together as jumble (6)
28 Cynic baving to follow around one seen twisting (8)
29 Catty, so gets nothing back in remuneration (6)
30 Respecting the senior nurse – she stands out (8)
31 A good man the elderly put on (6)

DOWN

1 Pay, as a woman will on striking (5,3)
2 Work out tax without hesitation (8)
3 Cheat the people present (8)
5 Depressed since installed in a place for the retired (6)
6 The difficulty of organising car parking in the London area (6)
7 Speaks out, but nothing counts (8)
8 They receive an alternative explanation (6)
12 Refund of boliday cash for some travellers abroad (7)
15 Several appear in contention (3)
16 Bright colour is not for the go-ahead sort! (3)
18 Declining to be reasonable about sales pitch (8)
19 Small hand surrounding a medico left incoherent (8)
20 The minister who's never wrong in 16 (8)
22 Run to raise money and totter (6)
23 An article on 15 to read over (6)
24 Rules made by religious bodies (6)
25 A goddess writing one note after another (6)

Solution 8,943



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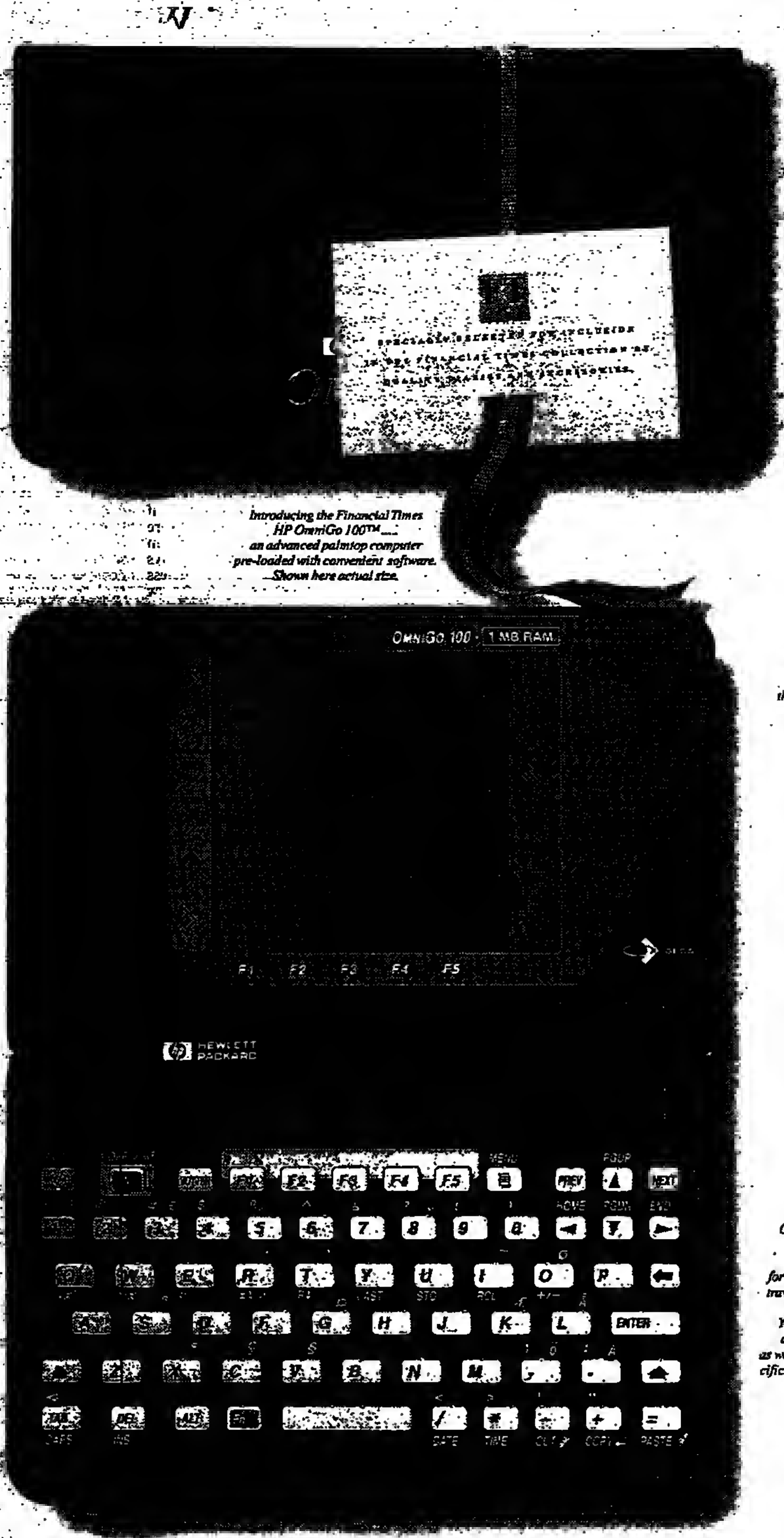

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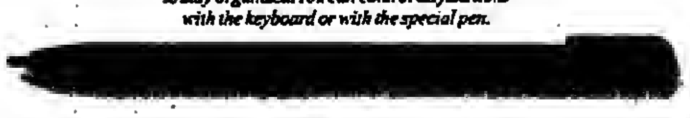

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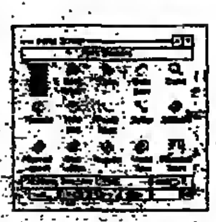

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INTERNATIONAL CAPITAL MARKETS

Bank's support of rate cut lifts gilts

By Richard Lapper in London and Lisa Bransten in New York

Interest rate cuts were the theme in international bond markets yesterday. UK government bonds were buoyed by the 25 basis point cut in base rates, while speculation continues to mount about the possibility of a cut today in the German discount rate.

■ The UK market had drifted in early trading largely because of a revival of political concerns following the death oo Tuesday of Sir David Lightbown, the Conservative MP for Staffordshire South-Eaot, and the possible reduction of the government's majority to three.

GOVERNMENT BONDS

The death "seot a chill through the market," said Mr David Boal, head of gilts at J. P. Morgan. Subsequently, however, the market rallied both on news of the rate cot and, in particular, on a statemeot from Mr Eddie George, the governor of the Bank of England, endorsing the move.

Mr Andrew Roberts, gilts analyot at UBS, said Mr George's statement "reaffirmed the credibility of counter-inflatiooary policy. There was a fear tbat ecooomic policy would have a political face to it. That fear has oow been negated. The market is steady as a rock."

Additional support was provided by buying activity from a cootineotal European investor, while UK institutions were also reported to be relatively active buyers.

Economic data published earlier in the day gave out mixed oignals. A 20,000 fall in unemployment for November was higher than had been expected and retail sales were stronger, but the impact was muted by low numbers for average earnings.

"The economic data was a mixed blessing for bond markets but good for tbe real economy," said Mr Kirit Sbah, international bond strategist at First Chicago.

On Liffe, the March long gilt future had gained about a quarter point by midday, but later lost ground, partially as a result of early weakness in the US. The March long gilt contract closed at $110\frac{5}{16}$, up $\frac{5}{32}$.

In the cash market, the 10-year yield spread over Germany narrowed by five basis points to 147 points. The March short sterling contract gained 0.01, settling at 93.81, while June short sterling is now discounting a further base rate cut of just under half a percentage point by the middle of 1996.

■ Activity in the German market was again light ahead of today's meeting of the Bundesbank and the possibility of a cut in the discount rate, currently otanding at 3.5 per cent.

The marketo are divided, with many analysts expecting the bank to delay any cut until the first quarter of 1996.

Mr Craig Shute, fixed income analyst at Bear Stearns, however, expects a 25 basis point cut today. He argued that the Bundesbank's moothly ecoonomic report, released yesterday morning, made an immediate cut more likely.

Although it indicated money supply developmeots were "broadly to the Bundesbank's liking", the report's comments on easing inflatiooary presoures and flagging economic growtb eocouraged rate cut hopes.

Mr Shute also noted that the report blamed commercial banks for the slow pace of securities repurchase rate cuts, claiming that this was due to cautious hidding. Yesterday, the repo rate was left unchanged at 3.98 per cent. On Liffe, 10-year bood futures settled at 98.80, up 0.13.

■ News of a further concession by Mr Alain Juppé, the prime minister, to striking public sector workers depressed French bond prices in both the cash and futures markets.

On Matif, the December notional 10-year futures contract lost more than half a point in morning trading on newo that Mr Juppé had pledged neither to change the retirement age of civil servants nor the way their pensions are calculated. The same guarantee was exteoded to striking railway and Paris metro drivers oo Sunday.

Although the market remains convinced that the government's fiscal austerity plans remain intact, analysts said investors were increasingly confused by price movements.

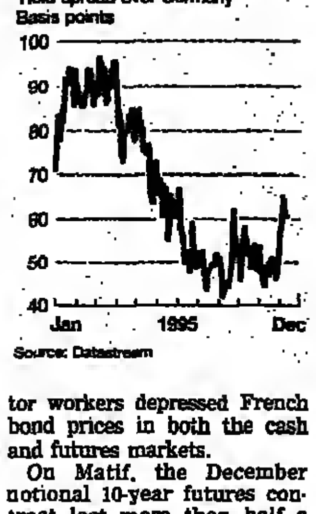
"A lot of people are staying away at the moment. I don't see a lot of value in France at the long end," said Mr Graham McDevitt, bond strategist at Paribas Capital Markets.

He said that in the short term the 10-year yield spread over Germany is unlikely to fall below 65 basis points, compared with its closing level yesterday of 74 points, up four points on the day.

Expectations of rate cnts as soon as the strikes end continue to make the short end of the yield curve more attractive. Yesterday, however, short-dated bonds underperformed, with yields on benchmark two-year paper rising by 12 basis points compared with a 4 point rise for 10-year paper.

Belgian 10-year bonds

Yield spread over Germany
Basis points



Source: Datastream

■ A protest march by public sector workers in Brussels against government austerity plans gave rise to speculation in some quarters that French industrial unrest may be about to affect Belgium.

Belgium's bond markets have underperformed in recent weeks, with the 10-year yield spread over German bonds widening from the mid-forties in November to a recent high of 68 basis points on December 5. Yields have fallen since then with the spread standing at 58 points on Tuesday, before widening to 62 points yesterday.

Mr Shah, at First Chicago, expects the spread to widen to 70 basis points, arguing that Belgium's beavy indebtedness makes it particularly vulnerable to the economic slowdown.

Mr Geert Ceuppens, a bond analyst with J. P Morgan in Brussels, disagrees, however. He argues that the recent underperformance was attributahle to profit-taking by a domestic Belgian bank and that the stability of the currency and narrow spreads over Germany in the money markets should provide support.

Mr Ceuppens expects the 10-year yield spread to return to 50 basis points by the end of the year. "At present price levels, Belgium is a buy. I'm hullish on the market," he said.

■ US Treasury prices edged lower in early trading yesterday as November retail sales figures failed to provide a clear signal about whether the Federal Reserve might lower interest rates oext week.

Near midday the long bond was $\frac{1}{8}$ lower at $111\frac{1}{16}$ to yield 6.051 per cent while at the short end of the maturity spectrum the two-year note was uncbanged at $99\frac{31}{32}$, yielding 5.374 per cent.

Retail sales rose 0.8 per cent last month, the Commerce Department said, the largest gain since June. Exclnding motor vehicle sales, the figure was 0.9 per cent compared with analysts expectations for a 0.4 per cent increase.

But reaction was mixed because the Commerce Department also made downward revisions to the sales figures reported for September and October.

In early trading the long bond added nearly a quarter point before retreating by early afternoon.

Economists from Donaldson Lufkin & Jenrette said they still believed the Fed would cut interest rates at next week's meeting of its Open Market Committee.

However, they added that they were lowering their expectations of such a move because of the relative strength of the November sales figures and Tuesday's data on producer prices.

Traders were awaiting an afternoon announcement from the Treaoury Department about next week's auctions of two and five-year notes.

The dollar was mixed in early trading. It edged lower against the yen, but climbed against the D-Mark where it was helped by hopes that the Bundesbank would lower interest rates today.

● International investors are increasing their holdings of the core German and Dutch European markets to "near saturation" levels, according to a survey conducted by Paribas Capital Markets.

Paribas based the survey on information from 100 international multi-currency investors obtained between November 27 and December 5.

The survey measures investors' positions in relation to allocation, duration and total exposure relative to their own benchmarks on a scale from zero (maximum underweight) to 100 (maximum overweight).

Allocations in German and Dutch bonds now stand at 77 points, having risen by nine points since the last survey in July.

Investors have reduced their allocations to the US bond market to 50 and in Japan to 13.

Tightly priced debut deal by United Parcel Service

By Conner Middelmann

With the year-end looming, dealers were surprised by the amount of new-issue activity in the eurobond market, which saw a rash of transactions in a wide variety of currencies.

United Parcel Service of America delivered the most successful deal of tha day with its debut eurobond, a $200m issue of 5.5 per cent three-year bonds. Being a cash-rich business, triple-A rated UPS is an extremely rare borrower, and has only one Yankee bond outstanding.

The latest issue was targeted at Swiss retail investors, who in recent weeks have been keen buyers of short-dated, high-quality dollar bonds.

This steady source of demand enabled UPS to price the bonds to yield a mere two basis points over US Treasuries – slightly more generous than recent deals which have been priced to yield less than Treasuries, but tight nonetheless.

However, bankers reported strong demand for the bonds and lead manager Merrill Lynch said they sold out in the morning, with the yield spread steady throughout the day.

Elsewhere in the dollar sector, **Banque Indosuez** issued $100m of three-year floating-rate notes with a coupon of 12.5 basis points over three-month Libor, via Citibank.

INTERNATIONAL BONDS

Although the issuer is seen as a "rocky credit" and was recently downgraded, one banker involved in the deal reported good demand for the notes. "The floater market is still very active and investors have been aggressively huying – they're especially keen on anything that offers a bit of spread," he said.

That should augur well for Crédit Foncier, the French specialist financial institution, which was rumoured to be planning a floating-rate note issue today. Market talk was for a $500m two-year issue with a coupon of around 33 basis points over Libor. Crédit Foncier's rating was also lowered recently, primarily due to its dwindling role in financing public housing.

The D-Mark sector was active, with a DM500m five-year deal for **Dresdner Finance** aimed mainly at Swiss and German retail accounts.

The Republic of Argentina increased its recently-issued seven-year D-Mark bond by another DM250m to DM1bn. "Demand has been extremely strong from European retail investors, who like the 10.5 per cent coupon at a price below par," said an official at lead manager CSFB-Effectenbank. The bonds yield 479 basis points over German bunds.

BNG, the Dutch municipal financing institute, issued Fl 1bn of 10-year bonds fungible with an outstanding Fl 1bn issue, making it the largest guilder issue in the market, said lead manager ABN Amro.

Exe Finance Company issued FFr1bn of 6.9 per cent, seven-year structured bonds, backed by Italian government bonds, via J. P. Morgan.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Utd.Parcel Service of America	200	5.50	99.987R	Jan.1999	0.1875R	+2(5¼%-98)	Merrill Lynch International
Banque Indosuez‡	100	(a)	100.00R	Dec.1998	0.15R	-	Citibank International
D-MARKS							
Rheinische Hypo.(b)	500	5.60	101.475	Dec.2001	2.125	-	ByrHypo/Cmrz/Dresdner/UBS
Dresdner Finance Neths.	500	5.25	101.80	Jan.2001	2.00	-	Dresdner Bank
Republic of Argentina(c)	250	10.50	98.75R	Nov.2002	1.25R	+479(7¼%-02)	CSFB-Effectenbank
Sudwest. LB Capital Mkts.(d)	250	5.25	100.22R	Dec.2000	0.25R	+27(5¾%-00)	UBS Germany
GUILDERS							
BNG(e)	1bn	6.375	100.24R	Jan.2006	0.325R	+13(6%-06)	ABN Amro Hoare Govett
FRENCH FRANCS							
Exe Finance Company(f,s)	1bn	6.90	99.90R	Nov.2002	0.30R	+43(8½%-02)	JP Morgan & Co.
LUXEMBOURG FRANCS							
European Investment Bank(s)	2bn	6.50	102.60	Dec.2004	1.875	-	BGL/ BIL
LIRE							
Abbey Natl.Tsy.Services(g)	75bn	11.00	102.125	Oct.1998	1.375	-	Credito Italiano
ECUS							
European Community(h)‡	115	(h1)	100.00	Dec.2005	none	-	Banque Paribas
PESETAS							
Swedish Export Credit	10bn	(j)	100.00	Dec.2005	1.18	-	Citibank Espana

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) 3-mth Libor +12½bp. b) Oeffentliche Pfandbrief. Fungible with DM1.5bn. Plus 15 days accrued. c) Fungible with DM750m. Plus 43 days accrued. d) Fungible with DM250m. Plus 45 days accrued. e) Fl 1bn launched on 28/11/95 was increased to Fl 2bn. f) Collateralised by Italian government securities. g) Fungible with L200bn from 8/10/96. No accrued -short 1st coupon. Callable on 8/10/97 at par. h) Amortises 20% annually from 2001. h1) 6-mth Libor -4bp. j) 9.57% for 1st 3 yrs and 10.51% thereafter. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	111.2800	−0.120	6.33	6.16	6.63
Austria		6.500	11/05	100.0000	+0.210	6.50	6.49	6.89
Belgium		6.500	03/05	98.4800	−0.150	6.72	6.67	6.81
Canada *		6.750	12/05	109.5300	-	7.38	7.11	7.51
Denmark		8.000	03/06	104.5600	−0.140	7.34	7.28	7.73
France	BTAN	7.750	04/00	106.3750	−0.130	5.97	6.00	6.43
	OAT	7.750	10/05	108.3400	−0.220	6.85	6.81	7.24
Germany Bund		6.500	10/05	102.9700	+0.180	6.09	6.04	6.44
Ireland		8.250	10/04	92.3500	+0.050	7.40	7.35	7.95
Italy		10.500	09/05	97.6700	−0.040	10.89†	10.87	11.39
Japan	No 129	6.400	03/00	120.3070	−0.280	1.35	1.38	1.58
	No 174	4.600	09/04	113.8520	−0.330	2.65	2.67	2.99
Netherlands		6.750	11/05	104.6000	+0.120	6.11	6.06	6.48
Portugal		11.875	02/05	109.9500	+0.150	10.14	10.23	11.10
Spain		10.150	01/06	99.6500	+0.350	10.01	10.15	10.77
Sweden		6.000	02/05	83.4180	+0.058	8.70	8.53	9.12
UK Gilts		8.000	12/00	104-27	+4/32	6.83	6.77	7.32
		8.500	12/05	107-10	+4/32	7.42	7.37	7.90
		9.000	10/08	111-13	+3/32	7.59	7.54	8.02
US Treasury *		5.875	11/05	101-02	−1/32	5.73	5.63	5.92
		6.875	08/25	111-07	−1/32	6.06	5.98	6.26
ECU (French Govt)		7.500	04/05	102.5700	−0.240	7.11	7.09	7.60

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	5.47	Two year	5.41
Prime rate	8½	Two month	5.44	Three year	5.44
Broker loan rate	7½	Three month	5.42	Five year	5.57
Fed.funds	5$\frac{11}{16}$	Six month	5.44	10-year	5.73
Fed.funds at intervention	·	One year	5.37	30-year	6.06

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	120.00	119.86	−0.48	120.16	119.78	132,703	61,518
Mar	119.24	119.14	−0.42	119.38	119.08	46,073	71,522
Jun	118.52	119.38	−0.48	119.54	119.40	71	3,349

■ LONG TERM FRENCH BOND OPTIONS (MATIF) (Dec 12)

Strike Price	Calls Jan	Calls Mar	Calls Jun	Puts Jan	Puts Mar	Puts Jun
110	-	3.60	-	0.03	0.28	0.57
117	1.67	-	-	0.05	0.46	-
118	-	2.21	-	0.14	0.69	1.04
119	0.39	1.57	-	0.37	1.00	1.39
120	0.13	1.03	1.66	-	-	-

Est. vol. total, Calls 12,011 Puts 23,763. Previous day's open int., Calls 137,002 Puts 123,660.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.72	98.67	-0.02	98.85	98.57	78445	203657
Jun	98.20	98.04	-0.03	98.20	98.20	0	188

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jan	Calls Feb	Calls Mar	Calls Jun	Puts Jan	Puts Feb	Puts Mar	Puts Jun
9850	0.48	0.85	1.09	1.24	0.18	0.55	0.79	1.57
9900	0.23	0.59	0.83	1.02	0.43	0.79	1.00	1.85
9950	0.08	0.39	0.61	0.83	0.78	1.09	1.31	2.16

Est. vol. total, Calls 12019 Puts 8888. Previous day's open int., Calls 184148 Puts 181672

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	106.03	106.29	+0.22	106.45	105.86	28896	46683
Jun	105.90	105.89	+0.22	105.90	105.90	675	721

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
10600	1.82	2.50	1.65	2.73
10650	1.56	2.26	1.88	2.89
10700	1.33	2.03	2.18	3.26

Est. vol. total, Calls 1152 Puts 985. Previous day's open int., Calls 36143 Puts 28537

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	93.52	93.82	+0.26	93.88	93.35	43,589	29,471
Mar	93.40	93.66	+0.29	93.75	93.38	8,629	18,655

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	110-30	110-29	+0-03	111-01	110-27	2391	32015
Mar	110-13	110-13	+0-03	110-20	110-04	30964	120457

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Jan	Calls Feb	Calls Mar	Calls Jun	Puts Jan	Puts Feb	Puts Mar	Puts Jun
110	0-53	1-28	1-52	2-16	0-17	0-56	1-10	2-10
111	0-19	0-59	1-19	1-52	0-47	1-23	1-47	2-52
112	0-04	0-35	0-56	1-27	1-32	1-63	2-20	3-27

Est. vol. total, Calls 1489 Puts 1560. Previous day's open int., Calls 26972 Puts 24794

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	90.54	90.62	−0.20	90.76	90.38	4,850	6,134
Mar	89.38	89.54	−0.20	89.64	89.38	1,967	2,854

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	120-16	120-06	−0-06	120-20	120-05	82,966	80,699
Mar	120-10	119-30	−0-07	120-14	119-28	252,598	338,336
Jun	119-26	119-21	−0-02	119-29	118-16	485	15,349

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	122.25			122.26	122.06	1322	0
Jun						0	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Dec 13	Day's change %	Tue Dec 12	Accrued interest	xd adj. ytd		Low coupon yield Dec 13	Low Dec 12	Low Yr. ago	Medium coupon yield Dec 13	Medium Dec 12	Medium Yr. ago	High coupon yield Dec 13	High Dec 12	High Yr. ago
1 Up to 5 years (23)	123.05	+0.10	123.23	1.70	10.53	5 yrs	6.80	6.93	8.55	6.91	6.95	8.53	6.99	7.03	8.73
2 5-15 years (21)	150.16	+0.14	149.97	1.56	12.20	15 yrs	7.61	7.62	8.39	7.65	7.66	8.54	7.72	7.73	8.75
3 Over 15 years (8)	167.97	+0.07	167.85	2.07	13.13	20 yrs	7.88	7.69	8.36	7.72	7.73	8.54	7.78	7.78	8.67
4 Irredeemables (6)	193.22	+0.15	192.92	1.51	13.71	Irred.†	7.79	7.80	8.41						
5 All stocks (58)	145.10	+0.12	145.05	1.72	11.88										

Index-linked							Inflation 5% Dec 13	Dec 12	Yr. ago	Inflation 10% Dec 13	Dec 12	Yr. ago
6 Up to 5 years (1)	196.47	+0.07	195.34	1.18	8.37	Up to 5 yrs	2.78	2.78	3.88	1.65	1.67	2.65
7 Over 5 years (11)	189.32	+0.04	189.47	1.01	4.95	Over 5 yrs	3.51	3.52	3.87	3.33	3.33	3.67
8 All stocks (12)	189.32	+0.04	189.47	1.01	5.02							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Dec 13	Dec 12	Dec 11	Dec 8	Dec 7	Yr ago	High*	Low*
Govt. Secs. (UK)	95.87	95.88	95.86	96.15	96.03	91.85	96.22	90.22
Fixed interest	114.82	114.77	115.01	115.04	114.81	109.52	115.04	108.77

* for 1995. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Dec 12	Dec 11	Dec 8	Dec 7	Dec 6
Gilt Edged bargains	78.9	72.2	80.2	81.8	112.1
5-day average	87.0	93.1	85.9	100.7	104.2

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or −	52 week High	52 week Low
Shorts" (Lives up to Five Years)							
Treas 14pc 1996		13.90	6.78	100$\frac{23}{32}$	..	105$\frac{7}{8}$	100$\frac{23}{32}$
15¼pc 1996‡‡		14.75	6.39	103$\frac{3}{8}$	—	108$\frac{1}{2}$	103$\frac{3}{8}$
Exch 13¼pc 1996‡‡		12.88	6.38	102$\frac{7}{8}$	—	107$\frac{1}{4}$	102$\frac{7}{8}$
Treas 12½pc 2003-5		9.58	7.40	130$\frac{1}{2}$			
Treas 8½pc 2005‡‡		7.91	7.43	107$\frac{1}{2}$			
7½pc 2006‡‡		7.47	7.46	100$\frac{3}{8}$			
[illegible]							

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on December 13

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 5 97	1000	99¼	99½		5.69
Abbey Natl Treasury 6½ 00	1000	101⅝	101⅞		6.21
ABN Ambro Bank 7¼ 05	1000	105⅛	105⅜	-¼	6.46
Alcan Dev Bk 7½ 23	500	106⅛	107		6.85
Alberta Province 7⅞ 98	1000	105	105⅛		5.69
Sweden 0 97	2500	106⅞	106⅞		4.14
United Kingdom 7⅛ 97	5500	105½	105⅝		4.01
Volkswagen Intl Fin 7 03	1000	104⅜	104⅝		6.24
World Bank 0 15	2000	28⅝	28⅞	+⅛	6.45
World Bank 5⅞ 00	3000	99⅛	99⅞	-¼	5.91
Abbey Natl Treasury 8 00 £	1000	101⅜	101⅝	+⅛	7.73
Alliance Leics 11⅞ 97 £	100	108¼	108½		6.59
British Land 8⅞ 23 £	150	95⅛	95½	-¼	9.38
Denmark 6⅞ 98 £	800	100	100¼	+⅛	6.73
EIB 6 00 £	1000	102⅝	102⅞	+⅛	7.52
[illegible]					

CURRENCIES AND MONEY

MARKETS REPORT

Sterling firm as markets welcome lower rates

By Philip Gawith

Sterling yesterday finished firmer on the foreign exchanges as markets gave a cautious welcome to the government's decision to cut the minimum lending rate by 25 basis points to 6½ per cent.

The decision had been fairly widely expected, but the market's sanguine reaction was mostly in response to the display of unity between the Chancellor, Mr Kenneth Clarke, and Mr Eddie George, governor of the Bank of England. In the past, evidence of a difference of opinion between the Chancellor and the governor has been a cause of sterling weakness.

The pound fell in the immediate aftermath of the rate news to intra-day lows of DM2.2160, and $1.5282, but soon recovered to finish in London at DM2.2219, and $1.5325. The trade weighted index closed at 83, from 82.8.

Trading activity remained very quiet, with much attention focused on the Bundesbank council meeting today. Around 40 per cent of market analysts are expecting a cut in rates. The discount rate is currently at 3½ per cent. The repo rate was left unchanged at 3.98 per cent in the weekly auction.

Traders said the market environment remained lacklustre, with little appetite to take on new strategic positions.

The French franc lost nearly 1½ centimes with markets increasingly concerned that the government is showing signs of weakness in its struggle with unions over reforming the country's expensive welfare system. It closed at FFr3.464, from FFr3.450, against the D-Mark.

The dollar remained stuck in a very narrow trading range, closing at DM1.4485, from DM1.4442, and at Y101.805, from Y101.02.

■ Although markets are much pre-occupied with possible interest rate cuts at the moment – France last week, the UK yesterday, possibly Germany today and the US next week – it is not clear that monetary policy is driving exchange rates.

Mr Steve Barrow, international economist at Chemical Bank in London, said: "Budget, growth and EMU issues are the key (concerns for the dollar). Prospective budget and growth trends in the US and Europe suggest a stronger dollar against European currencies. This is because US growth is outstripping that of Europe, and deficit reduction from a position of economic strength is much easier than consolidation at a time of economic weakness."

"But this very weakness in Europe throws into question the prospect for EMU - which in turn keeps the D-Mark firm, not just within Europe but also against the dollar."

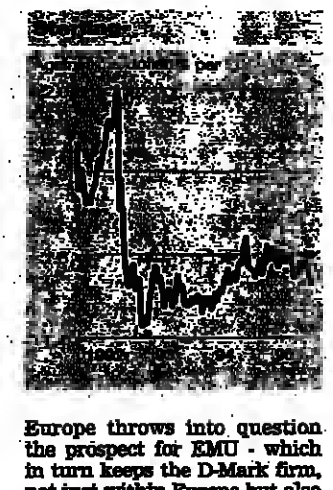
Mr Barrow said monetary policy was also not the key issue for the pound. "Of much more importance in a European context is the prospect for EMU, even though the UK remains very much on the periphery of these issues. This is because a stronger D-Mark within the ERM – as EMU tensions arise – also lifts the D-Mark against sterling."

Mr Chris Furness, currency analyst at IDEA in London, said the pound's benefit from the rate cut would probably prove short-lived as markets refocused on the implications of the government's majority probably shrinking to three, following the death of Tory MP Sir David Lightbown.

Mr Brian Martin, currency strategist at Barclays in London, said he saw limited upside for sterling. "There is no benefit for the government to be gained in pursuing a strong exchange rate policy at the moment." He said a trade deficit and slowing growth suggested the need for a competitive currency.

UK short-term interest rate markets responded positively to the rate move, but price changes were fairly modest given that lower rates have been discounted for some time. The March 1996 short sterling contract closed at 93.81, discounting a further fall in rates to around 6.2 per cent.

■ A Reuters poll of 20 economists found that only eight believe the Bundesbank will cut rates today. Fifteen of those polled said that German rates would be cut again in the current economic cycle. Lending weight to these views was the monthly report of the Bundesbank which said German economic growth was likely to resume after a short period of stagnation. This assessment was more optimistic than some other assessments of the economy have been.



■ **Pound in New York**

Dec 13	Latest	Prev. close
£ spot	1.5320	1.5340
1 mth	1.5312	1.5331
3 mth	1.5295	1.5315
1 yr	1.5216	1.5226

■ **OTHER CURRENCIES**

Dec 13	£	$
Czech Rp	40.8320 - 40.8660	26.6510 - 26.6610
Hungary	209.300 - 209.472	136.610 - 136.660
Iran	4598.40 - 4598.30	3000.00 - 3000.00
Kuwait	0.4592 - 0.4601	0.2997 - 0.3002
Poland	3.8877 - 3.8925	2.5375 - 2.5395
Russia	7104.53 - 7105.88	4635.00 - 4638.00
U.A.E.	5.6265 - 5.6295	3.6724 - 3.6727

POUND SPOT FORWARD AGAINST THE POUND

Dec 13		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.6340	+0.0272	260 - 419	15.6576 15.5889		15.5905	3.3	15.5465	2.2	-	-	106.5
Belgium	(BFr)	45.7130	+0.1025	719 - 541	45.9800	45.5730	45.598	3.0	45.428	2.5	44.703	2.2	109.1
Denmark	(DKr)	8.6139	+0.0158	096 - 182	8.6231	8.5864	8.6022	1.6	8.5849	1.6	8.5264	1.0	109.3
Finland	(FM)	6.6632	+0.0104	567 - 697	6.6810	6.6450	6.6588	0.8	6.6507	0.7	-	-	87.7
France	(FFr)	7.6975	+0.0454	942 - 008	7.7044	7.6561	7.6984	-0.1	7.6864	0.6	7.645	0.7	109.3
Germany	(DM)	2.2218	+0.0036	208 - 229	2.2263	2.2151	2.2171	2.6	2.2067	2.4	2.1689	2.4	111.4
Greece	(Dr)	367.980	+1.393	796 - 163	368.284	365.866	-	-	-	-	-	-	66.2
Ireland	(I£)	0.9684	-0.0009	675 - 692	0.9705	0.9675	0.9674	-1.2	0.9669	0.6	0.9628	0.6	97.5
Italy	(L)	2450.92	+3.21	906 - 279	2455.23	2442.88	2459.77	-4.3	2475.97	-4.1	2550.37	-4.1	71.6
Luxembourg	(LFr)	45.7130	+0.1025	719 - 541	45.9800	45.5730	45.598	3.0	45.428	2.5	44.703	2.2	109.1
Netherlands	(Fl)	2.4883	+0.006	869 - 896	2.4930	2.4684	2.4819	3.2	2.4716	2.6	2.4288	2.4	109.1
Norway	(NKr)	9.8220	+0.0383	159 - 280	9.8311	9.7541	9.8116	1.2	9.7904	1.3	9.7092	1.1	98.0
Portugal	(Es)	233.392	+0.543	262 - 522	233.722	232.591	233.817	-2.2	234.722	-2.3	-	-	94.9
Spain	(Pta)	188.959	+0.206	877 - 040	189.301	188.444	189.444	-3.1	190.369	-3.0	194.614	-3.0	81.9
Sweden	(SKr)	10.2884	-0.0086	795 - 972	10.3213	10.2795	10.2903	-0.2	10.2939	-0.2	10.3091	-0.2	86.8
Switzerland	(SFr)	1.8041	+0.0043	030 - 052	1.8067	1.7983	1.7974	4.5	1.7854	4.1	1.732	4.0	115.0
UK†	(£)	-	-	-	-	-	-	-	-	-	-	-	83.0
Ecu	-	1.2130	+0.0034	123 - 136	1.2142	1.2081	1.212	1.0	1.2105	0.8	1.2031	0.8	-
SDR	-	1.033900	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5322	+0.0009	318 - 326	1.5340	1.5282	-	-	-	-	-	-	-
Brazil	(R$)	1.4814	+0.0017	809 - 818	1.4828	1.4770	-	-	-	-	-	-	-
Canada	(C$)	2.1083	-0.0019	074 - 091	2.1139	2.1039	2.1088	-0.3	2.1058	0.5	2.1014	0.3	83.1
Mexico	(New Peso)	11.9225	+0.0619	044 - 405	11.9405	11.8741	-	-	-	-	-	-	-
USA	($)	1.5325	+0.0011	321 - 328	1.5342	1.5282	1.5318	0.7	1.53	0.8	1.5215	0.7	94.4
Pacific/Middle East/Africa													
Australia	(A$)	2.0577	-0.0097	565 - 588	2.0700	2.0549	2.0592	-0.9	2.063	-1.0	2.0795	-1.1	98.1
Hong Kong	(HK$)	11.8535	+0.0086	500 - 570	11.8661	11.8219	11.8464	0.7	11.8384	0.5	11.8118	0.4	-
India	(Rs)	53.5592	+0.1822	318 - 867	53.6130	53.3760	-	-	-	-	-	-	-
Israel	(Shk)	4.7767	+0.0003	717 - 817	4.7817	4.7660	-	-	-	-	-	-	-
Japan	(Y)	155.812	-0.092	738 - 886	156.020	155.240	154.917	6.9	153.477	6.0	147.172	5.5	142.5
Malaysia	(M$)	3.8994	+0.0086	977 - 010	3.9022	3.8854	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3713	+0.0002	698 - 728	2.3780	2.3690	2.3742	-1.5	2.3813	-1.7	2.4054	-1.4	100.3
Philippines	(Peso)	40.1885	+0.0428	410 - 360	40.2360	40.1410	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7476	+0.0038	460 - 492	5.7537	5.7317	-	-	-	-	-	-	-
Singapore	(S$)	2.1708	+0.0038	695 - 720	2.1721	2.1642	-	-	-	-	-	-	-
South Africa	(R)	5.6160	+0.0011	159 - 200	5.6282	5.6089	-	-	-	-	-	-	-
South Korea	(Won)	1179.45	-0.72	910 - 980	1181.33	1176.26	-	-	-	-	-	-	-
Taiwan	(T$)	41.8586	+0.0401	462 - 730	41.9036	41.7474	-	-	-	-	-	-	-
Thailand	(Bt)	38.5335	+0.0264	170 - 499	38.5750	38.4240	-	-	-	-	-	-	-

† Rates for Dec 12. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling Index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Dec 13		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	10.2020	+0.0198	991 - 048	10.2240	10.1758	10.1865	1.8	10.1605	1.6	10.057	1.4	106.5
Belgium	(BFr)	29.8300	+0.0465	100 - 500	30.0030	29.7600	29.778	2.1	29.69	1.9	29.385	1.5	108.6
Denmark	(DKr)	5.6210	+0.0065	195 - 225	5.6323	5.6054	5.6172	0.8	5.611	0.7	5.6285	-0.1	108.6
Finland	(FM)	4.3481	-0.0097	449 - 513	4.3655	4.3342	4.3431	1.4	4.3344	1.3	4.3056	1.0	86.6
France	(FFr)	5.0230	+0.0262	220 - 240	5.0295	4.9965	5.0265	-0.8	5.034	-0.9	5.0435	-0.4	109.2
Germany	(DM)	1.4499	+0.0014	495 - 502	1.4593	1.4470	1.4476	1.9	1.4434	1.8	1.4259	1.7	110.7
Greece	(Dr)	240.125	+0.745	060 - 190	240.470	238.800	241.85	-0.8	245.05	-8.2	258.525	-7.7	6.8
Ireland	(I£)	1.5825	+0.0025	816 - 835	1.5840	1.5784	1.583	-0.8	1.5834	-0.2	1.5795	0.2	-
Italy	(L)	1599.35	+1	850 - 020	1603.70	1595.00	1606.2	-5.1	1618.25	-4.7	1676.35	-4.8	70.7
Luxembourg	(LFr)	29.8300	+0.0465	100 - 500	30.0030	29.7600	29.778	2.1	29.69	1.9	29.385	1.5	108.6
Netherlands	(Fl)	1.6237	+0.0028	232 - 242	1.6278	1.6150	1.6205	2.3	1.6155	2.0	1.5961	1.7	108.5
Norway	(NKr)	6.4093	+0.0206	068 - 118	6.4205	6.3640	6.407	0.4	6.3988	0.7	6.3816	0.4	97.2
Portugal	(Es)	152.300	+0.25	250 - 350	152.610	152.010	152.675	-3.0	153.445	-3.0	157.05	-3.1	94.9
Spain	(Pta)	123.305	+0.05	280 - 330	123.590	123.150	123.7	-3.8	124.435	-3.7	127.925	-3.7	81.5
Sweden	(SKr)	6.7137	-0.0103	094 - 179	6.7450	6.7090	6.7308	-3.0	6.7602	-2.8	6.8977	-2.7	86.2
Switzerland	(SFr)	1.1773	+0.002	768 - 777	1.1801	1.1747	1.1737	3.7	1.167	3.5	1.1386	3.3	114.3
UK	(£)	1.5325	+0.0011	321 - 328	1.5342	1.5282	1.5319	0.7	1.5283	1.1	1.5215	0.7	82.4
Ecu	-	1.2634	-0.0027	630 - 638	1.2674	1.2604	1.2637	-0.8	1.2641	-0.2	1.2647	-0.1	-
SDR†	-	0.67460	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-0.0001	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	0.9667	+0.0005	666 - 667	0.9668	0.9666	-	-	-	-	-	-	-
Canada	(C$)	1.3758	-0.0021	755 - 760	1.3787	1.3743	1.3758	0.0	1.3762	-0.1	1.3812	-0.4	82.2
Mexico	(New Peso)	7.7800	+0.095	700 - 900	7.7900	7.7700	7.7823	-0.3	7.7854	-0.3	7.7903	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	95.4
Pacific/Middle East/Africa													
Australia	(A$)	1.3426	-0.0073	423 - 432	1.3447	1.3423	1.3446	-1.6	1.3481	-1.6	1.3668	-1.8	86.5
Hong Kong	(HK$)	7.7350	+0.0005	345 - 355	7.7355	7.7345	7.7357	-0.1	7.7375	-0.1	7.7645	-0.4	-
India	(Rs)	34.9500	+0.095	400 - 600	34.9650	34.8600	35.1	-5.2	35.405	-5.2	36.875	-5.5	-
Israel	(Shk)	3.1171	-0.0019	145 - 196	3.1196	3.1145	-	-	-	-	-	-	-
Japan	(Y)	101.675	-0.19	650 - 700	101.850	101.520	101.19	6.1	100.315	5.4	96.75	4.8	142.7
Malaysia	(M$)	2.5445	+0.0038	440 - 450	2.5450	2.5408	2.5454	-0.4	2.5515	-1.1	2.575	-1.2	-
New Zealand	(NZ$)	1.5473	-0.0009	468 - 480	1.5502	1.5468	1.5504	-2.4	1.5562	-2.3	1.5808	-2.2	-
Philippines	(Peso)	26.2250	+0.01	000 - 500	26.2500	26.2000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	-	504 - 508	3.7509	3.7504	3.751	-0.1	3.7517	-0.1	3.7551	-0.1	-
Singapore	(S$)	1.4165	+0.0015	160 - 170	1.4170	1.4151	1.413	3.0	1.407	2.7	1.3815	2.5	-
South Africa	(R)	3.6660	-0.0016	655 - 665	3.6698	3.6655	3.694	-9.1	3.745	-8.6	3.987	-8.8	-
South Korea	(Won)	769.650	-1	600 - 700	770.300	769.700	772.65	-4.7	776.15	-3.4	794.65	-3.2	-
Taiwan	(T$)	27.3155	+0.0075	130 - 180	27.3280	27.3100	27.3355	-0.9	27.3755	-0.9	-	-	-
Thailand	(Bt)	25.1450	-	400 - 500	25.1500	25.1350	25.2437	-4.7	25.4475	-4.8	26.33	-4.7	-

† SDR rate per $ for Dec 12. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Dec 12: Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

December 13	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4 1/16	3 13/16	3 13/16	3 13/16	3 13/16	6.00	3.50	-
week ago	3 13/16	3 13/16	3 3/4	3 3/4	3 3/4	6.00	3.50	-
France	5 5/8	5 13/16	5 13/16	5 3/4	5 11/16	4.70	-	6.10
week ago	5 3/4	5 13/16	6	5 13/16	5 3/4	4.80	-	6.10
Germany	4 1/16	4 1/4	3 13/16	3 13/16	3 13/16	5.50	3.50	3.98
week ago	4 1/16	4 1/8	3 7/8	3 13/16	3 13/16	5.50	3.50	3.98
Ireland	5 3/4	5 5/8	5 1/2	5 5/8	5 3/4	-	-	6.25
week ago	5 3/4	5 5/8	5 5/8	5 3/4	5 13/16	-	-	6.25
Italy	10 5/8	10 1/2	10 5/8	10 5/8	10 5/8	-	8.00	10.51
week ago	10 13/16	10 1/2	10 13/16	10 1/2	10 5/8	-	9.00	10.51
Netherlands	3 3/4	3 3/4	3 13/16	3 13/16	3 13/16	-	3.50	3.60
week ago	3 3/4	3 3/4	3 13/16	3 13/16	3 13/16	-	3.50	3.60
Switzerland	1 1/2	2 1/8	2	1 15/16	1 15/16	5.00	2.00	-
week ago	2	2 1/8	2 1/8	2 1/16	2 1/16	5.00	2.00	-
US	5 13/16	5 13/16	5 13/16	5 5/8	5 1/2	-	5.25	-
week ago	5 13/16	5 13/16	5 11/16	5 5/8	5 13/16	-	5.25	-
Japan	7/16	1/2	1/2	1/2	11/16	-	0.50	-
week ago	3/8	1/2	1/2	11/16	3/4	-	0.50	-
■ $ LIBOR FT London Interbank Fixing	-	5 13/16	5 13/16	5 3/4	5 5/8	-	-	-
week ago	-	5 13/16	5 13/16	5 3/4	5 1/2	-	-	-
US Dollar CDs	-	5.20	5.32	5.31	5.28	-	-	-
week ago	-	5.20	5.34	5.31	5.26	-	-	-
ECU Linked Ds	-	5 5/8	5 5/8	5 5/8	5 5/8	-	-	-
week ago	-	5 5/8	5 1/2	5 5/8	5 1/2	-	-	-
SDR Linked Ds	-	3 3/4	3 13/16	3 13/16	3 13/16	-	-	-
week ago	-	3 3/4	3 3/4	3 13/16	3 3/4	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Dec 13	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4 1/16 - 3 7/8	4 1/16 - 3 7/8	4 1/16 - 3 15/16	3 15/16 - 3 13/16	3 15/16 - 3 13/16	4 1/16 - 3 15/16
Danish Krone	4 13/16 - 4 13/16	5 3/8 - 5 1/8	5 1/4 - 5 1/8	5 1/8 - 4 13/16	5 1/8 - 4 13/16	5 1/8 - 4 7/8
D-Mark	5 13/16 - 5 13/16	4 1/8 - 4	4 1/8 - 4 1/16	4 - 3 7/8	3 13/16 - 3 13/16	3 3/4 - 3 5/8
Dutch Guilder	3 3/4 - 3 5/8	3 3/4 - 3 5/8	3 3/4 - 3 5/8	3 3/4 - 3 5/8	3 13/16 - 3 5/8	3 13/16 - 3 5/8
French Franc	5 3/8 - 5 1/4	5 1/2 - 5 3/8	5 7/8 - 5 5/8	5 3/4 - 5 1/4	5 13/16 - 5 13/16	5 7/8 - 5 1/16
Portuguese Esc.	8 13/16 - 8 13/16	8 7/8 - 8 3/4	9 - 8 7/8	9 1/16 - 8 13/16	9 1/16 - 8 13/16	9 1/8 - 9
Spanish Peseta	9 1/2 - 9 7/16	9 7/16 - 9 3/16	9 7/16 - 9 5/16	9 3/8 - 9 1/4	9 3/8 - 9 3/16	9 1/4 - 9 1/8
Sterling	6 5/8 - 6 3/8	6 1/2 - 6 3/8	6 1/2 - 6 7/16	6 13/16 - 6 13/16	6 13/16 - 6 5/8	6 5/8 - 6 1/2
Swiss Franc	2 - 1 7/8	2 1/16 - 1 15/16	2 1/2 - 2 3/8	2 1/8 - 2	2 - 1 15/16	2 - 1 7/8
Can. Dollar	6 1/16 - 5 7/8	5 13/16 - 5 13/16	6 - 5 7/8	6 - 6 7/8	6 1/8 - 6	6 1/8 - 6
US Dollar	5 13/16 - 5 7/16	5 13/16 - 5 11/16	5 7/8 - 5 3/4	5 3/4 - 5 5/8	5 5/8 - 5 1/2	5 1/2 - 5 3/8
Italian Lira	10 7/16 - 10 5/16	10 7/16 - 10 5/16	10 7/16 - 10 5/16	10 7/16 - 10 5/16	10 7/16 - 10 5/16	10 7/16 - 10 5/16
Yen	7/16 - 7/16	13/32 - 1/4	3/8 - 1/4	13/32 - 1/4	15/32 - 13/32	19/32 - 15/32
Asian $Sing	1 7/8 - 1 3/4	1 7/8 - 1 3/4	2 3/8 - 2 1/4	2 1/2 - 2 3/8	2 5/8 - 2 1/2	2 13/16 - 2 11/16

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris Interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.10	94.06	-0.17	94.13	93.67	37,962	33,968
Mar	94.62	94.51	-0.20	94.62	94.45	19,235	42,224
Jun	94.86	94.80	-0.12	94.88	94.77	6,653	38,125

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.10	96.08	-0.01	96.11	96.08	24333	129866
Mar	96.37	96.37	+0.01	96.39	96.36	19484	169252
Jun	96.42	96.44	+0.02	96.45	96.42	15425	130471
Sep	96.37	96.38	+0.02	96.40	96.37	11508	104530

■ **THREE MONTH EUROLIRA FUTURES** (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	89.51	89.51	-0.02	89.53	89.50	2618	19727
Mar	89.88	89.87	-0.02	89.90	89.82	3518	33866
Jun	90.16	90.19	-0.03	90.22	90.17	869	18926
Sep	90.34	90.27	-0.02	90.34	90.27	372	11321

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	97.90	97.91	+0.03	97.91	97.86	3113	14628
Mar	98.11	98.12	+0.02	98.13	98.11	3519	21510
Jun	98.16	98.16	+0.02	98.17	98.14	1091	11725
Sep	98.08	98.07	+0.01	98.09	98.05	305	5857

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.60	94.61	+0.03	94.63	94.60	865	5245
Mar	94.84	94.83	+0.02	94.85	94.82	1007	5425
Jun	94.93	94.81	-	94.94	94.90	224	4493
Sep	94.92	94.81	-	94.93	94.91	60	2235

* LIFFE futures also traded on APT

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.23	94.21	-	94.23	94.19	40,811	284,140
Mar	94.60	94.56	-0.01	94.62	94.54	101,495	420,195
Jun	94.80	-	-	94.83	94.75	86,079	390,848

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.98	-	-	94.99	94.97	887	7,882
Jun	95.21	95.18	-0.02	95.21	95.17	99	1,996
Sep	95.17	-	-	-	-	5	36

All Open Interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	Calls Dec	Calls Jan	Calls Feb	Calls Mar	Puts Dec	Puts Jan	Puts Feb	Puts Mar
9600	0.11	0.40	0.41	0.42	0.01	0.01	0.02	0.03
9625	0.01	0.17	0.20	0.22	0.18	0.03	0.06	0.08
9650	0	0.04	0.06	0.08	0.40	0.15	0.17	0.16

Est. vol. total, Calls 11331 Puts 7784. Previous day's open int., Calls 268813 Puts 269900

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
9775	0.20	0.46	0.54	0.01	0.04	0.08
9800	0.04	0.25	0.33	0.10	0.08	0.12
9825	0.01	0.11	0.19	0.32	0.18	0.23

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 11852 Puts 3556

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

Strike Price	Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
8950	0.06	0.57	0.96	0.06	0.21	0.28
8975	0.01	0.42	0.79	0.26	0.81	0.38
9000	0	0.29	0.63	0.50	0.43	0.45

Est. vol. total, Calls 50 Puts 150. Previous day's open int., Calls 19471 Puts 10733

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Dec 13		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.84	16.84	4.861	2.118	5360	5.443	21.49	510.6	413.3	22.51	3.947	2.188	4.612	3.354	340.8	2.654
Denmark	(DKr)	53.06	10	8.935	2.580	1.124	2844	2.888	11.40	271.0	219.3	11.95	2.094	1.161	2.447	1.780	180.9	1.408
France	(FFr)	59.39	11.19	10	2.887	1.258	3185	3.232	12.76	303.2	245.4	13.37	2.344	1.299	2.739	1.992	202.4	1.576
Germany	(DM)	20.57	3.877	3.464	1	0.436	1103	1.120	4.420	105.0	85.01	4.631	0.812	0.450	0.949	0.690	70.12	0.546
Ireland	(I£)	47.22	8.898	7.951	2.295	1	2531	2.570	10.15	241.1	195.1	10.63	1.864	1.033	2.178	1.584	160.9	1.253
Italy	(L)	1.866	0.352	0.314	0.091	0.040	100.	0.102	0.401	9.527	7.710	0.420	0.074	0.041	0.086	0.063	6.359	0.050
Netherlands	(Fl)	18.37	3.462	3.094	0.893	0.389	985.2	1	3.948	93.81	75.92	4.136	0.725	0.402	0.847	0.616	62.62	0.488
Norway	(NKr)	46.54	8.770	7.836	2.262	0.986	2494	2.533	10	237.6	192.3	10.48	1.837	1.018	2.146	1.561	158.6	1.235
Portugal	(Es)	19.58	3.691	3.298	0.952	0.415	1050	1.066	4.208	100.	80.93	4.409	0.773	0.428	0.903	0.657	66.75	0.520
Spain	(Pta)	24.20	4.560	4.075	1.176	0.512	1297	1.317	5.200	123.6	100.	5.447	0.955	0.529	1.116	0.812	82.48	0.642
Sweden	(SKr)	44.42	8.371	7.480	2.159	0.941	2381	2.418	9.545	226.8	183.6	10	1.753	0.972	2.049	1.490	151.4	1.179
Switzerland	(SFr)	25.34	4.775	4.267	1.232	0.537	1358	1.379	5.445	129.4	104.7	5.704	1	0.554	1.169	0.850	86.36	0.672
UK	(£)	45.71	8.614	7.697	2.222	0.968	2450	2.488	9.822	233.4	188.9	10.29	1.804	1	2.108	1.533	155.8	1.213
Canada	(C$)	21.68	4.086	3.651	1.054	0.459	1162	1.180	4.659	110.7	89.61	4.881	0.856	0.474	1	0.727	73.91	0.575
US	($)	29.82	5.619	5.021	1.449	0.631	1598	1.623	6.407	152.3	123.2	6.712	1.177	0.652	1.375	1	101.6	0.791
Japan	(Y)	29.34	5.529	4.940	1.426	0.621	1573	1.597	6.305	149.8	121.3	6.605	1.158	0.642	1.353	0.984	100.	0.779
Ecu		37.68	7.101	6.345	1.832	0.798	2020	2.051	8.097	192.4	155.7	8.483	1.487	0.824	1.738	1.264	128.4	1.

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.6936	0.6931	-0.0018	0.6940	0.6932	12,216	40,321
Mar	0.6955	0.6921	-0.0018	0.6933	0.6912	21,297	40,131
Jun	0.6971	-	-	-	-	59	2,807

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.9899	0.9837	+0.0006	0.9847	0.9830	10,361	34,487
Mar	1.0028	0.9971	+0.0006	0.9982	0.9965	20,888	43,185
Jun	1.0092	1.0095	+0.0007	1.0093	1.0092	6	633

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.8568	0.8499	-0.0013	0.8514	0.8481	8,182	28,854
Mar	0.8640	0.8571	-0.0018	0.8588	0.8555	13,818	30,134
Jun	0.8640	0.8651	-0.0010	0.8651	0.8638	129	728

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.5322	1.5322	+0.0010	1.5328	1.5302	6,438	34,119
Mar	1.5316	1.5298	+0.0010	1.5306	1.5280	9,203	91,917
Jun	-	-	-	-	-	8	-18

EMS EUROPEAN CURRENCY UNIT RATES

Dec 13	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.15214	2.10376	-0.00033	-2.25	5.69	17
Belgium	39.3960	38.6233	-0.0148	-1.96	5.38	14
Spain	162.493	159.539	-0.195	-1.83	5.03	11
Germany	1.91007	1.87916	-0.00046	-1.62	5.02	18
Austria	13.4383	13.2219	-0.002	-1.61	5.01	12
Denmark	7.28580	7.28325	+0.00246	-0.03	3.35	0
Portugal	195.792	197.262	+0.191	0.75	2.55	-5
France	6.40608	6.49861	+0.01496	1.44	1.84	-12
Ireland	0.792214	0.818499	+0.002186	3.32	0.00	-22
NON ERM MEMBERS						
Greece	292.867	311.096	+0.523	6.22	-2.74	-
Italy	2106.15	2070.91	-3.74	-1.67	5.08	-
UK	0.786652	0.845331	-0	7.61	-3.99	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	Calls Dec	Calls Jan	Calls Feb	Puts Dec	Puts Jan	Puts Feb
1.520	1.23	2.05	2.60	0.10	1.00	1.93
1.530	0.55	1.49	2.32	0.42	1.44	2.33
1.540	0.16	1.05	1.83	1.04	2.00	2.84
1.550	0.01	0.71	1.44	1.87	2.60	3.44
1.560	-	0.45	1.11	2.76	3.34	4.11
1.570	-	0.29	0.84	3.74	4.15	4.82

Previous day's vol., Calls 3,690 Puts 9,530. Prev. day's open int., Calls 280,586 Puts 326,452

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BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.50	*Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	10
Allied Trust Bank	6.50	Exeter Bank Limited	7.75	Royal Bk of Scotland	6.75
AIB Bank	6.75	Financial & Gen Bank	7.50	●Singer & Friedlander	6.75
●Henry Ansbacher	6.50	●Robert Fleming & Co	6.50	●Smith & Williamson Secs.	6.50
Bank of Baroda	6.75	Girobank	6.75	TSB	6.75
Banco Bilbao Vizcaya	6.50	●Guinness Mahon	6.75	United Bank of Kuwait	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.50	Unity Trust Bank Plc	6.50
Bank of Ireland	6.75	●Hambros Bank	6.50	Western Trust	6.75
Bank of India	6.75	Heritable & Gen Inv Bk.	6.75	Whiteaway Laidlaw	6.50
Bank of Scotland	6.75	●Hill Samuel	6.75	Yorkshire Bank	6.75
Barclays Bank	6.75	C. Hoare & Co	6.75		
Brit Bk of Mid East	6.50	Hongkong & Shanghai	6.50	●Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75	* In administration	
Citibank NA	6.50	●Leopold Joseph & Sons	6.50		
Clydesdale Bank	6.75	Lloyds Bank	6.75		
The Co-operative Bank	6.75	Meghraj Bank Ltd	6.50		
Coutts & Co	6.50	Midland Bank	6.50		
Credit Lyonnais	6.50	*Mount Banking	6.75		
Cyprus Popular Bank	6.75	NatWestminster	6.75		
		●Rea Brothers	6.75		

UK INTEREST RATES

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.51	93.51	-	93.52	93.50	8454	72020
Mar	93.80	93.80	-	93.82	93.78	9083	93158
Jun	93.92	93.92	-	93.93	93.90	5553	65503
Sep	93.91	93.91	-	93.92	93.89	3143	44805
Dec	93.77	93.78	-	93.79	93.77	1269	91627

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
9325	0.24	0.58	0.77	0.01	0.02	0.07
9350	0.02	0.36	0.57	0.04	0.05	0.12
9375	0.01	0.19	0.39	0.28	0.13	0.18

Est. vol. total, Calls 12633 Puts 11405. Previous day's open int., Calls 170110 Puts 162436

LONDON MONEY RATES

Dec 13	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6 7/8 - 5 1/2	6 3/4 - 6 7/16	6 11/16 - 6 3/8	6 9/16 - 6 7/16	6 7/16 - 6 1/4	6 5/16 - 6 3/16
Sterling CDs	-	-	6 15/32 - 6 13/32	6 7/16 - 6 3/8	6 5/16 - 6 1/4	6 1/4 - 6 3/16
Treasury Bills	-	-	6 3/8 - 6 1/4	6 5/16 - 6 1/4	-	-
Bank Bills	-	-	6 3/8 - 6 5/16	6 5/16 - 6 1/4	6 3/16 - 6 1/8	-
Local authority deps.	6 13/16 - 6 11/16	6 11/16 - 6 9/16	6 21/32 - 6 17/32	6 9/16 - 6 7/16	6 7/16 - 6 5/16	6 5/16 - 6 3/16
Discount Market deps	6 1/2 - 9	6 5/8 - 6 1/2	-	-	-	-

UK clearing bank base lending rate 6½ per cent from December 13, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	3	5 3/4	5 3/4	6	6 1/4

Certs of Tax dep. under £100,000 is 2 1/4pc. Deposits withdrawn for cash 1 1/4pc.
Ave. tender rate of discount 6.2281pc. ECGD fixed rate Stg. Export Finance. Make up day Nov 30, 1995. Agreed rate for period Dec 26, 1995 to Jan 23, 1996, Schemes II & III 7.98pc. Reference rate for period Nov 1, 1995 to Nov 30, 1995, Schemes IV & V 6.726pc. Finance House Base Rate 7pc from December 1, 1995

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**LIFFE's Three Month ECU Future.
The European hedge.**

On 19 December 1995 LIFFE's Designated Market Maker scheme for the Three Month ECU Future is renewed, effective until 17 June 1996, with an improved level of commitment from Designated Market Makers.

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For full details on LIFFE's Three Month ECU Future and its new Designated Market Makers scheme, please contact Marco Bianchi or Cinzia Bozzecchi at LIFFE (Tel. +44 171 379 2762/2467) or E-mail: advertising.info@liffe.com. Alternatively, find out more about LIFFE on our Web Site:http://www.liffe.com/

LIFFE
The London International Financial Futures and Options Exchange

LIFFE's Three Month ECU Designated Market Makers

HSBC Futures, a division of Midland Bank plc
(acting on behalf of Midland Bank plc)

Istituto Bancario San Paolo di Torino S.p.A.

Kredietbank N.V.

NatWest Futures Limited
(acting on behalf of NatWest Markets)

UBS Futures & Options Limited
(acting on behalf of Union Bank of Switzerland)

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cm 2nd Pf.		50½xd		98	50¼	6.31	19.8	–
Cater Allen	♣†v	437xd	+2	525	418	142.8	6.6	7.2
Close Bros	♣v☐	325	+1	*340½	218¼	396.8	3.3	14.4
Gerrard & Nat.	♣v	453xd		486	385	221.1	6.2	14.8
Hambros	v☐	281xd		282	180	359.4	4.7	–
7½pc Cv Pf		97	+1	112	94	125.0	9.7	–
Joseph (L)	♣†v	486xd	+2	463	353	24.4	5.1	25.7
King & Shaxson	♣v☐	144	+4½	145	85	37.0	7.0	11.2
Rea Brothers	♣v	48	+2	57	44	23.4	2.6	19.2
Schroders	♣†tv☐	1343		*1478	906½	2,927	1.3	19.1
N/V	†tv	1150	+2	*1162	823½	306.0	1.5	16.4
Singer & Fried.	♣†v☐	110½		111	81	237.4	4.2	11.4
8½pc Cv Ln 09/14		£135½		£137	£1½	41.5	6.3	–
Union	♣v☐	102	-1	121	70	97.1	3.7	–
Winlrust	♣v	270	+2	285	200	23.2	5.3	15.4

BANKS, RETAIL

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INSURANCE - Cont.

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FT-SE Actuaries Share Indices.

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

OTHER SERVICES & BUSINESSES - Cont.

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

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PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
BAT Inds.	♣†v□	571xd	+11	662	405	17,638	3.0	13.0
12¼pc Ln '03/08		£124½xd	+⅛	£125⅛	£115⅝	609.1	18.6	-

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

The AIM section is a market, designed primarily for ... [illegible]

AMERICANS

[illegible]

CANADIANS

	Notes	Price £	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's
Bk Montreal		14⅝	—	14⅞	10⅞	3,909	4.8
Bk Nova Scot		14⅛	—	14¼	10⅝	3,220	4.1
BC Gas	♥	729¼p	+½	p732¼	p580½	-	3.8
BCE		22	+⅛	22	18⅛	6,737	5.9
Barrick Gold		17⅝	—	17⅞	12⅛	6,284	0.4
Brascan	♥	1160¼p	+1	p1150¼	p763½	948.8	4.3
Can Imp Bk		19⅛	+⅛	19½	14⅛	4,130	3.7
Can Pacific		11⅝	—	12⅛	8⅞	3,782	1.9
4pc Deb		45½	—	45½	41½	21.3	8.8
Echo Bay	♥	711½p	+½	p730¼	p532¼	802.8	0.7
Gulf Can	♥	288¼p	+¼	p329½	p163½	435.9	-
Hawker Sid	♥	7¾	—	9⅝	5⅞	58.9	7.1
Hudson's Bay	♥	9¼	—	13⅛	9⅛	276.3	4.7
Imperial Oil	♥	22⅞	+⅛	24⅛	20⅞	4,428	3.3
Inco		23⅛	+⅛	24½	15⅞	2,702	0.8
Nova Corp Alberta		507p	—	p621	p442	1,320	3.1
Rio Algom	♥	12¼	—	13⅝	10⅛	544.5	2.3
Royal Bk Can		15⅛	—	15⅞	11⅝	4,727	3.7
Toronto-Dom		11½xd	—	11⅝	8⅞	3,464	4.1
Trans Can Pipe	♥	8⅞	—	9	7⅝	1,800	4.5

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£31⅝	—	£34	£29	2,111	2.7	15.5
Barlow	♣	£8⅝xd	-⅛	£9⅛	£4⅞	1,771	1.7	Φ
Gold Flds Prop R		154	—	165	138	19.7	6.9	6.9
NK Props.		92	—	95	65	3.70	13.0	-
SASOL	♥	522	-16	648	435	3,068	2.7	-
SA Brews		£22⅝xd	+⅛	£23⅛	£12⅞	6,806	1.5	31.2
Standard Bank	□	£29⅝	-⅛	£31⅛	£20⅞	3,576	1.6	20.5
Tiger Oats		†1185xd	—	1185	700	1,782	1.9	Φ
Tongaat-Hulett	†	1065xd	+15	1100	636	978.8	1.9	20.1

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR "Headline Earnings" formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- — Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
s Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v P/e ratios are calculated under new ACT guidelines.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xp ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

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IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED)(**)

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Merrill Lynch Asset Management - Contd.

Abtrust International Ltd

Gamco Investment Management Ltd

Global Asset Management - Contd.

Magellan Emerging Mkts Mngt (Jersey) Ltd

Republic Funds

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LONDON STOCK EXCHANGE

MARKET REPORT

More profits warnings offset rate cut excitement

By Steve Thompson, UK Stock Market Editor

An early glow of satisfaction in the UK equity market, triggered by the reduction of 25 basis points in UK interest rates, was dimmed by the close of trading as the market was jarred by the emergence of serious profits warnings from two leading UK companies.

The profits warnings, from Pearson, the media group which owns the Financial Times, and Kwik Save, the discount food retailer, served as a timely reminder to the market of the long list of damaging statements in recent weeks from companies such as Laporte, De La Rue, Arjo Wiggins Appleton, Rexam, Ladbroke and Calor.

Notwithstanding the damage caused by the warnings, all the main indices managed to end in positive ground, sustained by the UK rate cut and hopes that reductions in Germany and the US may follow.

There was support for equities, too, from the good performance of sterling and gilts, although the latter began to slip back towards the close. The Bundesbank council meets in Frankfurt this morning. The feeling around trading desks in London was that the odds were slightly against a reduction in German rates; the Bundesbank said yesterday it would hold a post-meeting press conference, a move interpreted by some market operators as an indicator that a cut was on the cards. The US Federal Open Market Committee meets next Tuesday.

Others pointed out, however, that the Bundesbank council's December meeting always discussed the following year's monetary targets, which were then announced at the press conference.

The final reading on the FT-SE 100 index was 3,662.4, up 7.5, while the FT-SE Mid 250 index kept pace, settling 8.8 firmer at 3,942.3.

Events across the Atlantic continued to bolster faltering sentiment in London, with Wall Street shrugging off slight concerns about the day's economic numbers on retail sales. These showed sales up 0.8 per cent during November, against expectations of around a 0.5 per cent rise.

The Dow Industrial Average, which retreated four points at the opening, quickly stabilised and then moved up strongly, bursting through the 5,200 mark an hour after London closed for business.

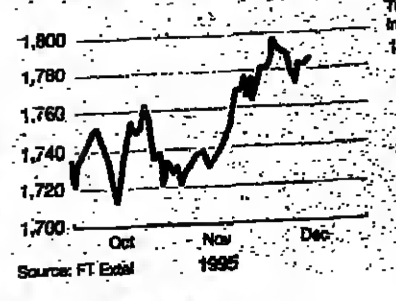
At its best, in mid-morning, the FT-SE 100 reached 3,654.9 for a gain of 18.3, and within 7.2 of its all-time intra-day high reached just over a week ago.

Thereafter, confidence began to falter and the market, additionally burdened by the Pearson and Kwik Save news, retreated to close well below the day's best.

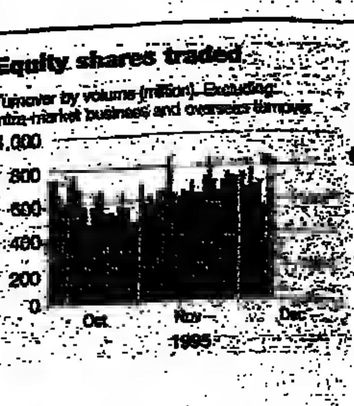
Pearson, predictably, was the main casualty in the leaders, the stock plummeting some 7 per cent, with some traders forecasting further substantial downside in the price and noting elements of panic selling in the stock. East Midland Electricity delivered the expected special dividend but disappointed analysts at the post-results meeting.

Turnover at 6pm was 740.8m shares, with non-FT-SE 100 stocks accounting for just over half that figure. Customer business on Tuesday was valued at a healthy £2.03bn, only slightly below Monday's Grid inflated £2.21bn.

FT-SE-A All-Share Index



Equity shares traded



Indices and ratios

FT-SE 100	3662.4	+7.5
FT-SE Mid 250	3942.3	+8.8
FT-SE-A 350	1812.4	+3.6
FT-SE-A All-Share	1785.58	+3.50
FT-SE-A All-Share yield	3.82	(3.83)
FT Ordinary Index	2649.0	+6.4
FT-SE-A Non Fins p/e	16.47	(16.44)
FT-SE 100 Fut Dec	3660.5	+6.5
10 yr Gilt yield	7.43	(7.43)
Long gilt/equity yld ratio:	2.03	(2.03)

Best performing sectors

1 Tobacco .... +2.0
2 Paper, Pckg. & Print. .... +1.1
3 Spirits, Wines & Cids. .... +1.0
4 Oil Exploration & Prod .... +1.0
5 Bldg. Matls. & Merchs. .... +0.9

Worst performing sectors

1 Engineering, Vehicles .... -0.8
2 Pharmaceuticals .... -0.6
3 Media .... -0.4
4 Engineering .... -0.4
5 Transport .... -0.4

Bid buzz lifts C&W

A frisson of excitement ran through Cable and Wireless following the announcement that Hoare Govett Corporate Finance had been appointed to act jointly with the group's house broker Cazenove.

The telecoms group has long been the subject of sporadic corporate speculation and the immediate buzz yesterday suggested that C&W was gearing itself up for a takeover defence.

The shares jumped 13, or more than 3 per cent, on the announcement. At the end of a day of rumour and counter-rumour they closed 2 better at 448p in 5.1m volume.

C&W, which operates the Mercury system in the UK and has an extensive Far Eastern operation, is widely expected by London analysts to reshuffle its portfolio of businesses at some stage.

Mobile phones group Vodafone continued to weaken, closing 6 off at 216½p in another day of above average trading volume.

Pearson slides

The profits warning from media group Pearson caught the market totally off guard, and the shares dropped like a stone on heavy turnover of 8m.

Marketmakers' initial reaction was to drive the stock down by 46p, from which level they spun back to a loss of 30. But after lunch a further wave of what dealers described as near panic selling finally left the shares at 618p, down 49 and easily the day's worst performing Footsie component.

Pearson, which owns the Financial Times, has had a strong run lately, advancing from 590p to 687p between the start of October and mid-November partly on speculation that the group's technology drive would trigger a takeover approach.

But yesterday, as analysts downgraded profits estimates, the profit-takers moved in with a vengeance. Against earlier hopes for earnings per share in the 30p to 34p range, the City consensus now looks to be 28p at best.

There was also some disappointment that the Pearson board did not take the opportunity yesterday to defuse the management succession doubts that have begun to creep into analysts' thinking.

Rival media group Reed International found itself caught up in the selling stampede and receded 12 to 981p.

Kwik Save weak

A warning on margins from Kwik Save, the UK's biggest discount grocer, took the market by surprise and sent the stock plunging. The news was seen as further evidence of the toll the current price war among food retailers is exacting from companies.

A statement from the company at its annual meeting said growth had slowed in recent weeks following "a further intensification of pricing activity". The chairman added: "This, combined with short term costs associated with small store conversions and last year's major investment programme, has put further pressure on margins."

By the close of the session the stock had lost 7 per cent of its value after it retreated a hefty 39 to 519p, making it by far the worst performer in the FT-SE Mid 250 index. The stock has fallen heavily since the company reported its first fall in profits early last month. Kwik Save also signalled its determination to respond aggressively to price promotions by competitors.

One analyst said: "Kwik Save is very vulnerable. Despite the good work, the company is still going to find life difficult."

Many brokers moved to downgrade profits estimates. The list included SBC Warburg, which downgraded its current year estimate by 12 per cent to £116m, and cut the following year's figure by 10 per cent to £122.5m.

Elsewhere among food retailers, profit-taking at Asda ahead of today's interim figures saw the shares lose 2½ to 105½p in trade of 9.2m.

However, there were buyers for both Tesco and J. Sainsbury. The former closed 3 ahead at 304p, while the latter gained 4 at 379p on 3.1m traded by the close.

Paper leader Rexam continued to shoot ahead, powering to the top of the Footsie rankings and shrugging off a bid denial from one of the market's more hotly tipped predators.

In above average volume of 6.9m, the shares jumped a further 19 to 356p for a two-day advance of more than 8 per cent. The upsurge took place in spite of Alusuisse, the big Swiss metals and packaging group, describing reports of a takeover approach to Rexam as unsubstantiated.

Rexam shares stood at 519p as recently as August. One broker said: "Part of the recent uptick is pure rebound after the recent profits warnings".

News of the £658m bid for Gates Rubber, of the US, drove diversified industrial Tomkins up to within a penny of the year's high in the heaviest volume since August 1994.

The shares closed with a gain of almost 3 per cent, advancing 7 to 269p in 22m traded. The day's turnover included two deals totalling more than 15m taken at around 265p.

Analysts were broadly supportive of the planned takeover, but sector watchers said it was too early to come to any hard and fast conclusions. Most reserved judgment ahead of a detailed breakdown of the cost of the takeover and the value of Gates' business.

Mr David Ireland at ABN Amro Hoare Govett said: "It is mostly shooting in the dark at this stage. But there does look to be scope for improving the US group's operating margins."

English China Clays rose 8 to 300p after the trading update.

Plans to pool fighter aircraft technology with the French Dassault group gave British Aerospace a lift, but most engineering leaders had an uninspiring day.

BAe moved ahead 5 to 793p for a two-day advance of more than 2 per cent. In contrast, British Steel continued to lose ground and GKN and Vickers both came off steeply. GKN receded 10 to 787p and Vickers retreated 4 to 270p.

BS was again heavily traded, sliding a further 4½ to 153½p in 17m traded. The shares, hit by the recent bleak trading statement from Usinor Sacilor, Europe's biggest steel producer, have lost 7.5 per cent in three days.

Food manufacturing group Hillsdown rose 8 to 160p after announcing that it had made a £121m recommended cash offer for UK food and beverages manufacturer Hobson. Shares in the bid target hardened 2½ to 30p.

However, not everyone is a fan of the takeover and one analyst said: "It is not a particularly good deal. It absorbs some of the war chest, yet it does not solve the problems of Hillsdown remaining a UK and own-label biased company."

In the recs, East Midland Electricity fell 36 to 703p after a poor results meeting with analysts that followed lower than expected figures. The interim dividend payout was said to have been particularly disappointing.

MARKET REPORTERS:
Joel Kibazo,
Jeffrey Brown.

FINANCIAL TIMES EQUITY INDICES

	Dec 13	Dec 12	Dec 11	Dec 8	Dec 7	Yr ago	*High	*Low
Ordinary Share	2649.0	2642.6	2644.1	2630.1	2635.0	2292.6	2678.1	2238.3
Ord. div. yield	4.05	4.06	4.06	4.08	4.07	4.55	4.73	4.02
P/E ratio net	15.88	15.84	15.88	15.76	15.79	17.31	21.33	15.35
P/E ratio nil	15.69	15.67	15.68	15.59	15.62	16.89	22.21	15.17

*For 1995. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2645.5	2643.3	2646.4	2651.2	2649.0	2648.2	2647.0	2650.0	2648.2	2651.8	2641.4

	Dec 13	Dec 12	Dec 11	Dec 8	Dec 7	Yr ago
SEAQ bargains	27,454	27,551	31,018	28,040	28,780	18,830
Equity turnover (£m)†	-	2036.9	2210.7	1554.8	1744.0	1576.3
Equity bargains†	-	35,221	36,729	31,085	32,889	27,758
Shares traded (m)†	-	811.0	868.0	575.2	690.0	668.4

†Excluding intra-market business and overseas turnover.

■ London market data

Rises and falls*		1995 Highs and lows		LIFFE Equity options	
Total Rises	627	Total Highs	115	Total contracts	29,634
Total Falls	636	Total Lows	40	Calls	18,650
Same	1,594			Puts	10,984

Dec. 13 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3653.0	3660.5	-	3682.0	3649.0	16599	34937
Mar	3677.0	3685.0	-	3705.0	3676.5	12292	48217
Jun		3687.5	-			0	1118

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		3935.0	-			0	475
Mar		3985.0	-			[illegible]	[illegible]

■ FT-SE 100 IND OPT DEC 12 (LIFFE) (*3654) £10 per full index point

	3500 C	3500 P	3550 C	3550 P	3600 C	3600 P	3650 C	3650 P	3700 C	Remaining strikes
Dec	154½	1	104½	1½	55	3	16½	15½	1½	[illegible]
Jan	170½	13½	128½	21½	92	34½	60½	53½	35½	[illegible]
Feb	192	22½	158	34	117	48½	87	69	62	[illegible]
Mar	216½	38	172½	50	139½	68	108	86½	82½	[illegible]
Jun†	248½	80			183½	111½			130½	[illegible]

Calls 4,857 Puts 3,454

■ EURO STYLE FT-SE 100 IND OPT DEC 12 (LIFFE) £10 per full index point

	3475 C	3475 P	3525 C	3525 P	3575 C	3575 P	3625 C	3625 P	Next strike C	Remaining strikes
Dec	177	1	127	1	77½	1	32	5	5½	[illegible]
Jan	192½	10	149½	18½	119	26½	75½	41½	47½	[illegible]
Feb	210	15½	169½	24	132½	36½	100	53½	73	[illegible]
Mar	228	30½	189	41	152½	53½	119	69	91½	[illegible]
Jun†			229½	61			167	115		[illegible]

Calls 2,513 Puts 1,882 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995 High	1995 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
100	F.P.	24.5	99	98	Abtrust High Inc C	98		-	-	-	-
-	F.P.	2.13	10	9	†Arion Props	9		v-	-	-	-
306	F.P.	49.2	303	285	BZW Eqs Bermuda	303	+2	v-	-	-	-
-	F.P.	61.8	104	101	Benfield & Rea	103		-	-	-	-
290	F.P.	211.3	347	298	CMG	331	-5	Rn4.8	1.2	1.8	17.1
-	F.P.	26.0	29	26	Cash Converters	28		Mv2.6	5.1	12.5	19.4
-	F.P.	-	510	500	†Com de Part Fin	510		-	-	-	-
150	F.P.	72.1	160	149½	Cortworth	151	+1½	Rv5.8	2.1	4.8	12.4
-	F.P.	54.1	110	108	Cox Insurance	110		-	-	-	-
-	F.P.	13.2	448	448	East Surrey NV	448		-	-	-	-
100	F.P.	51.0	102	98	Finsbury Tech	102		-	-	-	-
-	F.P.	14.8	146	125	Gardner (L)	130		-	-	-	-
200	F.P.	21.9	203	203	Gearhouse	203		Lv4.4	3.5	2.7	13.3
-	F.P.	3.48	116	83	Jasmin	85		-	-	-	-
-	F.P.	2.00	80	70	London Town	80		-	-	-	-
-	F.P.	21.1	99	93½	Martin Currie Jp	97½		-	-	-	-
-	F.P.	2.24	35	29	Do Warrants	33		-	-	-	-
204	F.P.	3,542.8	214½	207½	National Grid	209½	-1½	Wv11.23	2.3	6.7	9.4
200	F.P.	79.0	260	200	Peptide Th'peutics	233	+1	-	-	-	-
-	F.P.	88.8	365	345	†Pet City	365	+5	-	-	-	-
-	F.P.	1.07	105	100	†Revelation P'dlty	100		-	-	-	-
-	F.P.	173.1	45	38	†Trocadero	41	+1	-	-	-	-
-	F.P.	163.6	280	269	Vero Group	270		RWv5.1	1.8	2.4	29.7
-	F.P.	44.3	63	55	Wilmington	62		v-	-	-	29.1

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Dec 12	% chg on day	Dec 11	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (34)	1959.64	-1.0	1978.50	1848.45	1.83	-	2083.88	1637.91
■ Regional Indices								
Africa (16)	2574.19	-0.8	2595.25	2407.30	3.94	23.03	3191.21	2272.74
Australasia (6)	2416.45	+0.4	2405.68	2188.35	2.04	37.64	2607.57	1788.20
North America (12)	1722.35	-1.3	1745.69	1400.77	0.78	48.54	1831.00	1346.18

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FT - SE Actuaries Share Indices — The UK Series

	Dec 13	Day's chge%	Dec 12	Dec 11	Dec 8	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3662.4	+0.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Mid 250	3942.3	+0.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Mid 250 ex Inv Trusts	3950.9	+0.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A 350	1812.4	+0.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A 350 Higher Yield	1809.1	+0.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A 350 Lower Yield	1820.4	+0.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE SmallCap	1936.68	.....	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE SmallCap ex Inv Trusts	1911.64	.....	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A ALL-SHARE	1785.58	+0.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ FT-SE Actuaries All-Share

	Dec 13	Day's chge%	Dec 12	Dec 11	Dec 8	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	[illegible]	[illegible]	[illegible]
ASDA Group	[illegible]	[illegible]	[illegible]
Abbey National	[illegible]	[illegible]	[illegible]
Albert Fisher	[illegible]	[illegible]	[illegible]
Allied Domecq	[illegible]	[illegible]	[illegible]
Anglian Water	[illegible]	[illegible]	[illegible]
Argos	[illegible]	[illegible]	[illegible]
Argyll Group	[illegible]	[illegible]	[illegible]
Arjo Wiggins	[illegible]	[illegible]	[illegible]
Assoc. Brit. Foods	[illegible]	[illegible]	[illegible]
Assoc. Brit. Ports	[illegible]	[illegible]	[illegible]
BAA†	[illegible]	[illegible]	[illegible]
BAT Inds†	[illegible]	[illegible]	[illegible]
BET	[illegible]	[illegible]	[illegible]
BICC	[illegible]	[illegible]	[illegible]
BOC†	[illegible]	[illegible]	[illegible]
BP†	[illegible]	[illegible]	[illegible]
BPB Inds	[illegible]	[illegible]	[illegible]
BSkyB†	[illegible]	[illegible]	[illegible]
BT†	[illegible]	[illegible]	[illegible]
BTR†	[illegible]	[illegible]	[illegible]
Bank of Scotland	[illegible]	[illegible]	[illegible]
Barclays†	[illegible]	[illegible]	[illegible]
Bass†	[illegible]	[illegible]	[illegible]
Blue Circle	[illegible]	[illegible]	[illegible]
Booker	[illegible]	[illegible]	[illegible]
Boots†	[illegible]	[illegible]	[illegible]
Britannic	[illegible]	[illegible]	[illegible]
Brit. Aerospace†	[illegible]	[illegible]	[illegible]
British Airways	[illegible]	[illegible]	[illegible]
British Gas	[illegible]	[illegible]	[illegible]
British Land	[illegible]	[illegible]	[illegible]
British Steel	[illegible]	[illegible]	[illegible]
Bunzl	[illegible]	[illegible]	[illegible]
Burmah Castrol	[illegible]	[illegible]	[illegible]
Burton	[illegible]	[illegible]	[illegible]
Cable & Wireless	[illegible]	[illegible]	[illegible]
Cadbury Schweppes	[illegible]	[illegible]	[illegible]
Caradon	[illegible]	[illegible]	[illegible]
Carlton Comms.	[illegible]	[illegible]	[illegible]
Coats Viyella	[illegible]	[illegible]	[illegible]
Comm. Union	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

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WORLD STOCK MARKETS

EUROPE

AUSTRIA (Dec 13 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Dec 13 / Frs.)

[illegible]

CZECH REP (Dec 13 / Korona)

[illegible]

DENMARK (Dec 13 / Kr)

[illegible]

FINLAND (Dec 13 / Mks)

[illegible]

FRANCE (Dec 13 / Frs.)

[illegible]

GREECE (Dec 13 / Drachma)

[illegible]

ITALY (Dec 13 / Lire)

[illegible]

GERMANY (Dec 13 / Dm.)

[illegible]

NORWAY (Dec 13 / Krone)

[illegible]

POLAND (Dec 13 / Zloty)

[illegible]

PORTUGAL (Dec 13 / Escudo)

[illegible]

SPAIN (Dec 13 / Pts.)

[illegible]

NETHERLANDS (Dec 13 / Fls.)

[illegible]

SWEDEN (Dec 13 / Kronor)

[illegible]

SWITZERLAND (Dec 13 / Frs.)

[illegible]

TURKEY (Dec 13 / Tk Lira)

[illegible]

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PACIFIC

JAPAN (Dec 13 / Yen)

[illegible]

HONG KONG (Dec 13 / H.K.$)

[illegible]

INDONESIA (Dec 13 / Rupiah)

[illegible]

MALAYSIA (Dec 13 / MYR)

[illegible]

NEW ZEALAND (Dec 13 / NZ $)

[illegible]

SINGAPORE (Dec 13 / S$)

[illegible]

AUSTRALIA (Dec 13 / Aus$)

[illegible]

SOUTH KOREA (Dec 13 / Won)

[illegible]

TAIWAN (Dec 13 / TW $)

[illegible]

THAILAND (Dec 13 / Baht)

[illegible]

MONTREAL (Dec 13 / Can $)
4 pm close

[illegible]

AFRICA

SOUTH AFRICA (Dec 13 / Rand)

[illegible]

NORTH AMERICA

CANADA

TORONTO (Dec 13 / Can $)
4 pm close

[illegible]

INDICES

[illegible]

	Dec 13	Dec 12	Dec 11	1995 High		1995 Low	
Hong Kong							
Hang Seng(31/7/64)	9920.88	9827.70	9835.17	10022.58	17/10	6967.93	23/1
India							
BSE Sens.(1979)	3058.10	3033.83	3044.23	3932.09	2/1	2922.18	29/11
Indonesia							
Jakarta Comp.(10/8/82)	491.62	496.98	500.00	518.18	11/8	414.21	19/4
Ireland							
ISEQ Overall(4/1/88)	2238.43	2243.17	2233.22	2280.71	7/12	1813.59	23/1
Italy							
Banca Comm Ital(1972)	570.58	570.34	584.12	680.54	10/2	547.78	5/12
MIB General(2/1/95)	901.0	900.0	890.0	1078.00	10/2	888.00	5/12
Japan							
Nikkei 225(16/5/49)	19283.48	19312.77	19226.70	19884.04	4/1	14485.41	3/7
Nikkei 300(1/10/82)	287.30	287.58	286.26	289.22	7/12	222.28	13/6

	Dec 13	Dec 12	Dec 11	1995 High		1995 Low	
Taiwan							
Weighted Pr.**(30/6/66)	5018.01	4959.40	4958.13	7051.49	5/1	4503.37	14/8
Thailand							
Bangkok SET(30/4/75)	1247.48	1255.39	(c)	1472.94	10/7	1135.86	16/3
Turkey							
Istanbul Comp.(Jan 1986)	38749.0	38763.4	39953.2	54893.90	21/4	34844.31	23/1
WORLD							
MS Capital Intl(1/1/70)	726.8*	726.9	727.9	728.30	7/12	595.21	23/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1470.59	1478.59	1458.23	1480.89	15/9	1222.41	13/3
Euro Top-100(26/6/90)	1326.98	1329.81	1321.61	1328.81	12/12	1117.24	9/3
JCapitOrgs(31/12/88)	(u)	335.11	333.82	349.47	14/7	282.07	23/1
ING Barings Emrg(7/1/92)	144.73	144.20	144.49	158.07	2/1	117.15	10/3

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
CAC-40 (200 x Index)							
Dec	1841.0	1840.0	−16.0	1852.0	1833.0	18,692	38,775
Jan	1852.5	1848.5	−16.0	1858.5	1844.0	2,884	6,243
DAX							
Dec	2285.5	2284.5	+8.5	2288.0	2277.0	22,380	63,588
Mar	2308.0	2307.0	+8.5	2308.0	2298.0	15,140	43,999
OMX							
Dec	1350.00	1346.00	−9.00	1350.75	1341.00	4,162	9,283
Jan	1360.00	1358.50	−6.75	1360.00	1352.50	1,910	6,017
SOFFEX							
Dec	3283.1	3273.0	−6.0	3287.0	3272.0	4,678	8,283
Jan	3292.3	3291.5	+6.1	3295.0	3282.0	2,877	8,017

** Sat Dec 9 : Taiwan Weighted Price 4994.92 ; Korea Comp Ex 952.87. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 35 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Dec 13 - 2288.28 +4.62.

US INDICES

Dow Jones	Dec 12	Dec 11	Dec 8	1995 High	1995 Low	Since compilation High	Since compilation Low
Industrials	5114.92	5184.32	5156.86	5199.13 (5/12)	3832.08 (30/1)	5199.13 (5/12/95)	41.22 (2/7/32)
Home Bonds	105.34	105.34	105.12	105.34 (11/12)	93.83 (3/1)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	2070.78	2080.76	2071.24	2082.11 (5/12)	1473.19 (3/1)	2082.11 (5/12/95)	12.32 (8/7/32)
Utilities	219.74	219.60	218.83	221.13 (6/12)	183.03 (3/1)	256.46 (31/6/93)	10.50 (8/4/32)

DJ Ind. Day's high 5226.23 (5225.90) Low 5132.29 (5122.18) (Theoretical♦)
Day's high 5187.90 (5194.49) Low 5169.14 (5145.66) (Actual♦)

Standard and Poors	Dec 12	Dec 11	Dec 8	1995 High	1995 Low	Since compilation High	Since compilation Low
Composite‡	615.78	619.52	611.48	620.18 (5/12)	459.11 (3/1)	620.18 (5/12/95)	4.40 (1/6/32)
Industrials♥	728.20	728.99	728.37	728.99 (11/12)	546.28 (3/1)	728.99 (12/12/95)	3.62 (21/6/32)
Financial	62.21	62.45	62.71	63.88 (5/12)	41.84 (3/1)	63.88 (5/12/95)	8.64 (1/10/74)
NYSE Comp.	329.80	330.17	329.02	330.83 (5/12)	250.73 (3/1)	330.83 (5/12/95)	4.46 (25/4/42)
Amex Mkt Val	535.54	535.65	535.58	563.59 (12/9)	433.12 (5/1)	563.59 (12/9/95)	29.31 (9/12/72)
NASDAQ Cmp	1062.07	1061.50	1062.41	1069.79 (4/12)	743.58 (3/1)	1069.79 (4/12/95)	54.87 (31/10/72)

RATIOS

	Dec 6	Dec 1	Nov 24	Year ago
Dow Jones Ind. Div. Yield	2.27	2.30	2.32	2.88
	Dec 6	Nov 29	Nov 22	Year ago
S & P Ind. Div. yield	1.95	2.00	2.01	2.48
S & P Ind. P/E ratio	18.98	18.64	18.36	18.29

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
LSI Logic	7,016,100	34	−2¾
Bader Intl	5,497,100	41¼	+¼
Harcos	4,343,700	15¾	+⅛
Micron Tech	4,163,500	53⅞	−1⅛
Citicorp	3,922,800	65¾	−2
Wal-Mart	3,234,000	23¾	+⅛
Baker Hughes	3,168,800	23⅞	+⅝
WMX Tech	2,835,800	30¼	+1⅛
Hewlett-Packrd	2,621,800	83	−3⅛
Detroit Edison	2,331,800	34⅞	—

TRADING ACTIVITY

● Volume (million)

	Dec 12	Dec 11	Dec 8
New York SE	351.448	342.055	327.497
Amex	18.885	18.837	23.875
NASDAQ	474.454	434.857	468.301
NYSE			
Issues Traded	3,095	3,093	3,073
Rises	978	1,197	1,115
Falls	1,349	1,128	1,163
Unchanged	768	768	795
New Highs	130	167	128
New Lows	25	20	21

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
S&P 500							
Dec	619.25	621.80	+2.80	622.40	618.85	27,953	85,025
Mar	625.90	627.85	+2.85	628.70	624.90	70,396	144,374

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Nikkei 225							
Mar	19500.0	19330.0	−70.0	19530.0	19320.0	18,294	129,598
Jun	19400.0	19380.0	−10.0	19400.0	19380.0	5	17,571

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock, whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

TOKYO – MOST ACTIVE STOCKS: Wednesday, December 13, 1995

	Stocks Traded	Closing Prices	Change on day
Toho Zinc Co	12.5m	808	+43
Nippon Steel Corp	10.5m	352	-1
Toshiba Corp	9.7m	788	-12
Shinagawa Fuel	9.5m	1090	+70
Isuzu Motors	8.2m	471	+8
Nikko Secs	6.7m	1170	-20
NKK Corp	6.4m	273	-5
Daiwa Bank	6.3m	767	+33
Mitsubishi Hvy	5.8m	819	-12
Fudo Const	5.6m	1170	+50

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. High/Lows are for 1995, except Toronto & Montreal (daily). x Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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4 pm close December 13

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
18¾	12⅛	AAR	0.48	2.3	24	478	u20⅝	19⅝	20⅝	+1¼
46¼	35	AMP	0.92	2.5	23	2506	40½	39¾	40⅜	+⅜
80¼	53⅜	AMR			18	4258	78½	76¾	76⅞	+⅛
47⅞	35⅜	ASA	1.71	4.5	25	679	39¼	38⅛	38⅜	-⅜
44¾	30¾	AbbtL	0.84	2.0	20	16683	42⅞	41⅜	41¾	+¼
16⅞	12	Abitibi Pr 4	0.40	2.8	7	1681	14½	14¼	14⅜	+⅛
28½	21	ABM Ind	0.60	2.2	15	28	27¾	27⅝	27¾	+¼
17½	13⅛	Acpincein			10	722	15¼	14⅝	15¼	+½
40	21⅞	ACE Ltd	0.56	1.4	9	721	39¼	38⅞	35	+⅛
9⅞	0¾	ACM Gvt In x	0.50	9.5	6	701	9⅝	6⅜	9½	
7⅛	6½	ACM GvOpp x	0.60	0.1		61	7⅜	7¼	7¼	-¼
7½	5¾	ACM Gvt Sp x	0.75	11.1		105	6⅞	6¾	6¾	
8¾	7¼	ACM Gvt Se x	0.80	10.7		427	8½	8⅜	8⅜	-⅛
9½	7⅝	ACM Man 4	0.90	10.3		144	8⅞	8¾	8⅜	-⅜
29¼	10¼	AcmeClv	0.48	2.3	37	120	21⅛	21	21	-½
38¾	7⅛	Acme Elect			68	269	9⅜	7⅞	8¼	+½
34½	23¾	Acordia x	0.72	2.6	15	40	30⅛	28	28	-¼
18¾	10⅛	Acuson			37	400	12¾	11⅞	12⅛	+⅛
10⅝	15⅝	Adams Expr	0.48	2.8	0	139	16½	16⅜	16⅜	
38⅞	2⅞	AdvMic			51	1630	16⅛	16⅛	16⅛	-½
6¾	5	Advest Grp	0.16	1.6	12	37	9¾	9	6⅛	+¼
27½	16½	Advo Inc	0.10	0.4	16	1967	26⅜	25¼	25½	-⅞
42⅝	24.00	Aegon	1.28	3.1	15	36	41⅜	41½	41½	-½
5⅞	3⅜	Aerfix			7	318	4¼	4	4⅛	
[illegible]										

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AMERICA

Dow gains ground as rates debate continues

Wall Street

US share prices gained in early trading yesterday as several issues rebounded from losses and debate continued on Wall Street about whether the Federal Reserve would lower interest rates next week, *writes Lisa Bransten in New York.*

At 1 pm the Dow Jones Industrial Average was 21.68 higher at 5,196.60. The Standard & Poor's 500 rose 2.01 to 620.79 and the American Stock Exchange composite was up 1.24 at 536.78. Volume on the NYSE came to 236m shares. The Nasdaq composite added 6.24 at 1,058.31.

Retail sales figures released by the Commerce Department did not provide a strong signal about wbat the Federal Reserve might do at next week's meeting of its Open Market Committee. Althougb November sales were stronger than many economists expected, the Commerce Department revised September and October's figures downward.

Mr Laszlo Birinyi, president of Birinyi Associates, said there was oo one factor underlying yesterday's activity. "Tbere is no smokiog gun right now," be said. "There is a lot of suspects."

Possible "suspects", he said, included bargain bunting in shares that had weakened in recent sessions and a flood of divideod payments that investors might be putting back to work in the market.

Citibank was among tbe companies that staged a recovery from recent losses. Over the past four sessions Citicorp had lost $6¾ or 9 per cent by Tuesday, but yesterday the shares moved up $1¼ to $67.

Internet shares also continued to rebound from last week's losses. Netscape Communications, which dropped $47 from last Wednesday to Mooday, rallied $9½ to $146, UUNet improved $3¼ to $66¾ and Spyglass was $1¼ ahead at $102¼.

BayBanks jumped $7¾ or 9 per cent to $92¾ on news that Bank of Boston would buy the Massachusetts-based retail bank for $2bn in stock. Shares in Bank of Boston shed $1¼ or 3 per cent to $43⅞ on the news.

Kimberly Clark added $1¾ at $79⅞ after officials from the paper company announced a restructuring program and said analysts' projections about the company's earnings next year were realistic. The company completed its merger with Scott Paper on Tuesday.

Bausch & Lomb added $2¼ or 6 per cent at $39⅞ on news that Mr Daniel Gill, the chairman and chief executive, would resign. Shares in the company declined last week after Mr Gill met with analysts.

Canada

Toronto was mixed at midsession after Tuesday's fall, with the TSE 300 composite index losing 4.01 by noon at 4,699.66 in volume of 38.4m shares.

Bombardier, the transport group, picked up C$¼ to C$17⅞. Corel, under pressure early in the week, bounced C$¾ to C$20⅞. Placer Dome lost C$1¼ to C$33⅞ on the weak bullion price.

SoftQuad International rose C$⅜ to C$7⅞ as it said it planned a share issue in the US, and to complete a Canadian private placement to raise between C$20m and C$30m.

SOUTH AFRICA

Johannesburg was easier, golds tracking the lower bullion price and industrials pulled back by profit-taking. The overall index retreated 20.4 to 6,262.9, industrials shed 9.9 to 7,934.9 and golds declined 38.0 to 1,351.6.

De Beers lost R1.25 at R115, Anglos slipped R1 to R235, Dries was R1.25 cheaper at R42.50 and Vaal Reefs ended R10.50 down at R248.50.

EUROPE

Frankfurt gets little lift from $, bonds

Something left FRANKFURT unsettled. It acknowledged strength in the dollar and bonds, Daimler, for example, rising DM8.15 to DM726.15 and Bayernverein by 57 pfgs to DM42.70, but the effect on equities was not consistent and the Dax index closed only 4.62 higher at an Ibis-indicated 2,283.23.

Turnover eased from DM6.4bn to DM5.9bn, Daimler bringing in an outstanding DM729m of that. Mr Hans-Peter Wodniok at Credit Lyonnais in Frankfurt wondered if the political, economic and industrial turmoil in neighbouring France was affecting sentiment in Germany.

Ibis winners were led by Deutsche Babcock, up DM6.50 at DM146 on takeover speculation. In retailing, Spar, which recently swapped some do-it-yourself stores for Asko food outlets in Berlin, rose DM34 to DM480, while Asko fell DM22 to DM717 – although, said Mr Wodniok, the DIY stores were profitable, and the Berlin grocers a less attractive proposition.

PARIS recovered some of the session's loss by the close following news that the government was prepared to make concessions to striking union members who entered their twentieth day of action.

The CAC-40 index retreated to a session's low of 1,823.98 before closing off 15.18 at 1,833.76.

Danone featured on the corporate front with a fall of FFr41 or 5 per cent to FFr778 after brokers were reported to have lowered their earnings forecasts for the food company.

ZURICH edged lower, assessing the chances of a discount rate cut when the national bank meets today, and uncertain over bow tomorrow'a expiry of futures and options might affect the cash market. The SMI index gave up 7.5 to 3,273.4.

Registered shares in SBC picked up 50 centimes to SFr235.50 after the bank's announcement of plans to follow the lead of other leading Swiss companies, and convert to a single registered share structure next year.

Nestlé continued to find support, adding SFr11 at SFr1,289. Ciba returned to the downward track after a two-day rebound, losing SFr15 at SFr1,008.

Alusuisse gave up SFr18 to SFr936 on profit-taking and in response to a rumour, denied hy the company, that it planned to bny Rexam, the British packaging concern.

MILAN was weak on uncertainty over whether a confidence vote would be needed to push through the 1996 budget, and sweep aside 2,000 amendments to the package. The Comit index edged 0.24 higher to 570.58, while the real-time Mibtel index lost 51 to 9,074.

Olivetti relinquished another L21 to L1,231 on profit-taking and as Mr Carlo de Benedetti, tha chairman, said that the company was more vulnerable to a hostile takeover after banks forced him to dilute the stake held by his Cir investment company.

AMSTERDAM weakaned marginally but investor interest was slight as the AEX index slipped 1.01 to 478.03.

One of the few bright spots was ING, which gathered 50 cents to Fl 105.70 after announcing plans to launch municipal bonds for the Polish city of Gdynia.

Hoogovens was down Fl 1.10 at FL 50.20, mainly on UK selling, after a UK broker was said to have rednced its 1995 earnings forecast.

BRUSSELS, where the Bel-20 index climbed a further 6.58 to 1,557.44, left the pharmaceuticals and chemicals stock UCB BFr1,875 or 5.2 per cent stronger at BFr37,700 after its anti-allergy drug Zyrtec received registration from the US FDA. "This is the good news that people have been waiting for over the past four years," said Mr Sebastian Scotney at Dillon Read In London.

ISTANBUL fell 2.5 per cent in spite of a vote by the European parliament agreeing to customs union between the EU and Turkey. Brokers said the news had already been discounted as the composite index dropped 1,005.47 to 38,748.02.

Turnover fell to TL4,780bn from Tuesday's TL5,390bn.

OSLO was dragged lower by losses at both Norske Skog, the forestry group, and Bergesen, the shipping company.

The All-share index receded 1.09 to 729.68 in high turnover of NKr719m.

Norske Skog shed SKr6 to SKr179 in line with other forestry stocks as investors worried abont the outlook for the sector. The forestry index dropped by 2.4 per cent.

Bergesen declined NKr4 to NKr131 as the company voted to approve a management plan to merge with Havtor.

HELSINKI waa aharply lower as a fall in Nokia soured sentiment. The HEX index weakened 38.19 or 2 per cent to 1,838.65 in turnover of FM322.1m. The industrial sector fell 2.3 per cent as Nokia slid FM10 to FM215.

VIENNA took Lenzing up Sch63 or 9.6 per cent to Sch717 after the fibremaker said that a recent US patent ruling would have no impact on the company. The ATX index dipped 2.90 to 957.62.

Written and edited by William Cochrane, Michael Morgan and John Pitt

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

Dec 13 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1471.77	1472.45	1472.31	1472.06	1471.89	1472.16	1472.25	1470.58
FT-SE Eurotrack 200	1585.05	1586.29	1588.60	1587.20	1587.02	1587.82	1586.60	1585.51

	Dec 12	Dec 11	Dec 8	Dec 7	Dec 6
FT-SE Eurotrack 100	1476.58	1469.23	1467.57	1462.47	1464.49
FT-SE Eurotrack 200	1586.45	1574.10	1568.07	1565.72	1569.69

Base 1000 (26/10/90): High/day: 100 - 1473.04; 200 - 1589.40 Low/day: 100 - 1470.52 200 - 1584.88 † Partial

Latin American bourses steady

Mexico City was barely changed by midsession, although it had managed to recover from an early fall which saw the IPC index dip under the 2,600 support level. The index was off a marginal 0.65 at 2,607.19.

SAO PAULO was another market that was biding its time, as investors remained oo the sidelines ahead of tbe settlement of index futures later in the sessioo. The Bovespa index was up 146 at 43,802 by early afternoon.

Analysts said that they also were waiting for the ceotral bank and tbe São Paulo state government to sign an agreemeot on the future of Banespa, the state bank, whicb bad beeo under central bank administration since December last year.

BUENOS AIRES was higher by midday on strengtb in Brady bonds, although some weakness was expected to emerge later in the session as investors prepared for tomorrow's options expiry.

The Merval Index, which advanced 2.4 per cent on Tuesday, put oo a furtber 8.07 or 1.7 per cent at 481.11.

Traders attributed the rise to the government's successful sale of its 39 per cent stake in Edesur, the electricity company, acquired for $390m by the Chilean groop Enersis.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms Dec. 8 1995	% Change over week	% Change on Dec '94	Local currency terms Dec. 8 1995	% Change over week	% Change on Dec '94
Latin America	(252)	456.14	-1.5	-21.4			
Argentina	(30)	726.41	-1.5	-1.1	445,731.73	-1.5	-1.1
Brazil	(72)	307.51	-1.7	-20.0	1,111.81	-1.6	-8.7
Chile	(36)	716.34	+0.8	-8.7	1,179.03	+0.4	-6.5
Colombia[1]	(16)	579.32	+4.3	-28.6	1,001.43	+2.1	-16.2
Mexico	(67)	428.44	-3.2	-29.5	1,432.69	-1.4	+10.9
Peru[2]	(19)	184.35	-1.2	+3.4	264.00	-1.1	+11.0
Venezuela[3]	(12)	333.21	+11.7	-32.7	2,496.09	+5.0	+29.1
Asia	(677)	230.09	+1.2	-7.8			
China[4]	(20)	55.21	-4.2	-27.2	57.96	-4.2	-28.4
South Korea[5]	(159)	137.61	+2.7	+0.8	139.21	+2.7	-1.8
Philippines	(25)	247.76	+0.7	-16.9	313.55	+0.8	-10.8
Taiwan, China[6]	(93)	104.91	+0.0	-36.2	107.53	-0.1	-33.7
India[7]	(101)	81.13	+3.9	-34.3	100.60	+3.9	-26.9
Indonesia[8]	(42)	111.72	+3.1	+12.0	138.88	+3.3	+16.6
Malaysia	(114)	267.33	+0.3	-0.6	250.42	+0.5	-1.1
Pakistan[9]	(36)	225.85	+3.5	-38.3	350.91	+3.5	-31.4
Sri Lanka[10]	(19)	103.86	+1.3	-39.6	120.76	+1.8	-34.9
Thailand	(68)	373.96	+3.0	-2.5	373.50	+2.9	-2.3
Euro/Mid East	(209)	142.96	+4.4	+20.7			
Greece	(40)	237.83	+0.2	+5.4	383.32	+0.3	+4.3
Hungary[11]	(5)	109.24	-0.4	-28.0	178.44	-0.3	-13.8
Jordan	(8)	180.20	+3.4	+20.1	268.95	+3.4	+21.0
Poland[12]	(16)	432.52	-0.2	-7.8	689.69	+0.3	-4.2
Portugal	(27)	111.95	+0.4	-7.5	117.04	+0.9	-11.6
South Africa[13]	(64)	258.69	+4.8	+15.1	195.96	+4.9	+3.6
Turkey[14]	(44)	117.67	+5.2	-3.4	3,107.01	+7.5	+40.4
Zimbabwe[15]	(5)	275.68	+1.0	+12.7	376.66	+1.1	+25.0
Composite	(1138)	273.11	+1.5	-11.2			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10)Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Aug 4 1989; (15)June 2 1993.

In spite of the heavy declines among many of the IFC's Latin American constituent countries this year, strategists at Bear Stearns note that there was generally a positive movement in their performance during November, writes John Pitt.

The US securities house says that during the second half of last month a strong rally hrought to an end a four-month downward flight, with Mexico and Argentina tbe main driving force. Accordingly, Bear Stearns' analysts suggest tbat a 1996 rally in eqnities, which they have been forecasting for some time, bas actually begun. "We think that the rally can go a lot further next year, even if the upside over the rest of 1995 may be limited," they continue. "Fundamental supports for higher equity prices in 1996 include favourahle global market conditions, notably low interest rates and the rising dollar, a recovery in the region's economies to over 4 per cent growth next year, and relatively cheap valnations. Obviously there are risks, the most important being the threat of a US equity market decline and the fear tbat further financial market turbulence in Mexico conld bave a negative impact on the rest of Latin America."

ASIA PACIFIC

Nikkei eases as Taipei pushes through 5,000

Tokyo

Heavy selling was seen on the approaches to the 19,500 level, and the Nikkei average closed marginally lower in spite of buying by overseas investors, *writes Emiko Terazono in Tokyo.*

The 225 index was off 29.29 at 19,283.48 after moving between 19,275.51 and 19,438.72. Share prices rose in the morning on buying by arbitrageurs, brokers and overseas investors, but selling by corporate investors, public funds and banks eroded the gains.

Volume came to 430m shares, against 413m. The Topix index of all first section stocks lost 1.55 to 1,527.86 and the Nikkei 300 shed 0.28 to 287.30. Losers outscored gainers by 579 to 465, with 166 issues unchanged.

In London the ISE/Nikkei 50 index was up 0.15 at 1,327.43.

Investors continued to take profits on high-technology stocks. A Y2,000 or 9.5 per cent fall to Y19,000 in Softbank, a software company traded on the over-the-counter market, also had a oegative impact on the sector. Toshiba fell Y12 to Y768 and Fujitsu declined Y20 to Y1,190.

Large-capital steels and shipbuilders, which had been supported on growing hopes of an economic recovery, lost ground oo selling by corporate investors. Mitsubishi Heavy Industries dipped Y12 to Y819.

Overseas investors bought banks. Mitsubishi Bank rose Y40 to Y2,430 and Sumitomo Bank Y20 to Y2,160. Brokers fell on profit-taking, with Yamaichi Securities losing Y18 at Y717 and Daiwa Securities Y40 at Y1,460.

Retailers were bigher on bopes of a cut in property taxes, and reports of a recovery io consumer confidence witb department stores reporting higher year-end sales. Mitsukoshi advanced Y23 to Y933 and Takashimaya Y20 to Y1,630.

Speculative sbares rose. Toho Zinc, the day's most active issue, jumped Y43 to Y808 and Sinaneo Y70 to Y1,080.

In Osaka, the OSE average gained 38.27 at 20,746.52 in volume of 215.8m shares. Kanematsu NNK, an engineering machinery maker, rose Y100 to Y3,250. The stock, believed to be a speculators' target, had surged some six times since May this year.

Roundup

Further strong demand propelled TAIPEI through the psychological 5,000 barrier. However, analysts said the day's rebound, the sixth since the Nationalist party achieved a razor thin majority in the parliamentary elections oo December 2, had left the market ripe for profit-taking.

The weighted index added 58.61 or 1.2 per cent at 5,018.01 in active turnover of T$51.5bn.

JAKARTA cootinued to weaken in slow trading as banking shares fell sharply on news that the central bank would announce a new reserve requirement today.

The composite index fell 5.37 or 1.1 per cent to 491.62. Lippo Bank, the most actively traded stock, receded Rp275 to Rp3,625, while another bank, BDNI, lost Rp100 to Rp1,900.

SYDNEY finished firmer for a third consecutive session and the All Ordinaries index closed 10.5 higher at a 22-month peak of 2,225.6.

HONG KONG was little changed after a day of cautious, pre-holiday trade, and the Hang Seng index closed 6.91 easier at 9,920.88 in turnover that dipped to HK$2.9bn.

SINGAPORE was helped ahead by late bargain hunting in blue chips, while Malaysian shares traded in the OTC market were firm ahead of the launcb of Kuala Lumpur's futures index tomorrow.

The Straits Times Industrial index picked up 17.78 to 2,172.05, wbile the UOB-OTC index, tracking mainly Malaysian shares, was 7.60 ahead at 1,060.31.

KUALA LUMPUR saw a return of foreign demand, althougb analysts said near-term prospects remained uncertain.

The composite index put on 5.03 at 984.28 in volume that swelled to 221m shares.

SEOUL was broadly weaker in the absence of fresb inceotives and the composite index retreated 13.75 to 929.27.

Individual stocks stood out from the gloom. Dacom rose Won8,000 to Woo149,500; news that nearly 1.3m shares, or 9.8 per cent of the company's outstanding shares, were being auctioned by Korea Long Term Credit Bank on December 19 reignited long-standing takeover rumours.

BANGKOK was lower for the fourth trading day in a row, the SET index slipping 7.91 to 1,247.48 in weak turnover of Bt3.1bn. Brokers said money-market liquidity tightened as most banks prepared funds for expected beavy withdrawals by clients during the forthcoming holiday season.

COLOMBO jumped 1.9 per cent in high turnover on institutional buying of blue chips which took the all-share index up 12.52 to 673.70. KARACHI saw speculative buying and the KSE-100 index rose 23.48 or 1.7 per cent to 1,425.42.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY DECEMBER 12 1995 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY DECEMBER 11 1995 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (81)	169.96	1.1	183.91	122.24	143.05	170.55	0.5	3.92	187.85	181.58	119.95	141.04	169.68	191.01	157.95	165.71
Austria (27)	172.38	-0.8	166.86	110.93	129.81	129.72	-0.6	1.60	173.86	168.06	111.02	130.54	130.44	199.28	167.48	175.64
Belgium (35)	204.48	0.5	197.96	131.59	153.99	150.19	0.8	3.48	203.56	196.77	129.99	152.84	148.99	204.48	164.78	165.33
Brazil (28)	140.98	1.6	136.49	90.72	106.17	250.73	1.5	1.68	138.81	134.18	88.64	104.22	246.92	180.75	86.06	176.92
Canada (101)	146.84	-0.5	142.16	94.49	110.58	146.51	-0.7	2.64	147.60	142.67	94.25	110.82	147.49	150.83	121.81	125.90
Denmark (35)	283.50	-0.3	274.46	182.44	213.49	216.49	0.1	1.51	284.31	274.82	181.55	213.46	216.32	295.99	238.61	238.82
Finland (25)	211.86	-0.6	205.11	136.34	159.54	193.76	-0.3	1.65	213.14	206.03	136.10	160.03	194.30	276.11	171.13	174.56
France (100)	173.72	-0.4	168.19	111.80	130.82	136.17	-0.1	3.23	174.46	168.64	111.40	130.99	135.33	191.17	157.79	164.13
Germany (59)	162.99	0.3	157.79	104.89	122.74	122.74	0.6	1.96	162.49	157.07	103.76	122.00	122.00	157.74	135.39	136.09
Hong Kong (55)	379.88	0.7	367.78	244.47	286.08	377.22	0.7	3.87	377.35	364.76	240.96	283.33	374.66	389.39	277.40	305.99
Ireland (16)	252.86	0.1	244.80	162.72	190.42	225.49	0.5	3.39	252.48	244.06	161.23	189.57	224.27	260.87	195.34	197.78
Italy (59)	70.59	1.1	68.34	45.43	53.16	84.26	1.3	1.74	69.85	67.50	44.59	52.43	83.20	82.71	65.45	67.25
Japan (483)	152.19	-0.4	147.34	97.94	114.81	97.94	0.4	0.78	152.73	147.64	97.53	114.68	97.53	164.82	136.95	151.55
Malaysia (108)	478.61	0.6	463.36	308.00	360.43	468.32	0.7	1.76	475.66	459.80	303.74	357.15	454.94	561.96	398.16	437.39
Mexico (18)	963.19	0.2	932.48	619.83	725.33	8156.24	0.0	1.70	961.52	929.26	612.86	721.78	8156.24	2016.75	647.81	2016.75
Netherland (19)	266.24	-0.1	257.76	171.33	200.50	196.97	0.1	3.32	266.62	257.73	170.26	200.19	196.76	266.70	207.87	207.87
New Zealand (14)	78.11	0.1	75.62	50.26	58.82	64.21	0.2	4.52	78.01	75.41	49.81	58.57	64.08	85.49	69.56	69.56
Norway (33)	228.64	0.6	221.35	147.14	172.18	198.27	0.8	2.11	227.27	219.69	145.12	170.64	196.74	243.79	188.73	199.54
Singapore (44)	390.81	0.6	378.36	251.50	294.31	254.84	0.7	1.80	388.55	375.59	248.11	291.74	253.09	414.26	313.94	345.50
South Africa (45)	392.04	0.8	379.55	252.29	295.23	314.29	0.8	3.80	389.77	376.77	248.89	292.65	312.47	392.04	281.06	318.23
Spain (38)	158.84	-0.1	153.77	102.21	119.61	148.51	0.1	3.95	158.97	153.67	101.51	119.36	148.22	160.51	124.10	138.91
Sweden (47)	305.73	0.2	295.99	196.74	230.24	304.32	-0.1	1.97	305.03	294.86	194.78	229.03	304.66	321.99	225.80	225.80
Switzerland (40)	228.70	0.1	221.41	147.17	172.22	166.64	0.6	1.60	228.52	220.90	145.93	171.58	165.81	230.31	158.38	159.44
Thailand (46)	163.96	-0.4	158.73	105.51	123.47	160.01	-0.4	2.54	164.65	159.16	105.14	123.63	160.59	184.55	130.15	147.25
United Kingdom (206)	224.80	-0.1	217.64	144.67	169.29	217.64	0.1	4.03	225.02	217.51	143.69	168.95	217.51	226.33	187.07	187.13
USA (639)	252.36	-0.2	244.32	162.40	190.04	252.36	-0.2	2.22	252.86	244.44	161.48	189.87	252.88	253.22	183.69	183.88
Americas (786)	229.79	-0.2	222.47	147.87	173.04	193.21	-0.2	2.22	230.25	222.57	147.03	172.87	193.61	230.63	171.95	171.95
Europe (737)	198.31	0.0	190.05	126.33	147.83	168.50	0.2	3.03	196.29	189.74	125.34	147.38	168.09	199.02	163.04	163.04
Nordic (138)	276.16	0.1	267.35	177.71	207.96	236.95	0.0	1.86	276.00	266.80	176.24	207.23	236.99	295.02	215.79	215.79
Pacific Basin (831)	162.37	-0.2	157.20	104.49	122.28	108.29	0.5	1.21	162.65	157.22	103.86	122.12	107.81	171.87	145.93	158.02
Euro-Pacific (1568)	176.40	-0.1	170.78	113.52	132.84	131.12	0.3	2.06	176.56	170.67	112.74	132.56	130.66	178.33	154.73	160.02
North America (740)	245.85	-0.2	238.02	158.21	185.14	245.28	-0.2	2.23	246.38	238.17	157.33	184.99	245.82	246.80	180.29	180.29
Europe Ex. UK (531)	176.57	0.1	170.94	113.62	132.96	141.62	0.3	2.47	176.44	170.56	112.67	132.48	141.13	179.46	146.45	148.45
Pacific Ex. Japan (348)	260.44	0.7	252.14	167.60	196.13	229.92	0.6	3.22	258.58	249.96	165.12	194.15	228.58	266.72	211.19	224.17
World Ex. US (1760)	177.47	-0.1	171.82	114.21	133.65	134.95	0.3	2.10	177.60	171.67	113.41	133.34	134.50	178.73	155.42	161.94
World Ex. UK (2193)	198.06	-0.1	191.75	127.46	149.15	163.92	0.1	1.96	198.32	191.71	126.64	148.91	163.73	198.37	163.46	166.37
World Ex. Japan (1916)	227.63	-0.1	220.37	146.48	171.42	213.89	0.0	2.58	227.75	220.16	145.43	171.00	213.87	228.28	178.95	178.95
The World Index (2399)	200.44	-0.1	194.05	128.99	150.94	168.71	0.1	2.15	200.70	194.00	128.16	150.69	168.53	200.75	165.92	168.21

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THAILAND

Lack of leadership threatens stability

New prosperity has quelled unrest. But, says **Ted Bardacke**, if the government does not tackle long-term social and economic problems soon, the respite could be only temporary

As Thailand lurches from one emergency to another, it is tempting to argue that the painfully obvious lack of political leadership and vision simply do not matter.

Crises include this month's plunging stock market, last month's serious flooding and, before that, the King's unceremonious disparagement of the government. But for many Thais the crises of the new government led by Mr Banharn Silpa-archa are merely a novel form of entertainment. For, superficially there is little to worry about: the economy is booming, there is full employment, short-term financial stability appears assured and the government, for all its infighting and external image problems, promises at least some kind of political continuity.

Fuelled by earnings from export growth that shows no sign of fading, consumers buy all day while construction sites hum through the night.

However, lack of leadership comes at exactly the wrong time for Thailand. In a few years, many of the structural conditions driving the economic boom will disappear. To keep a competitive edge in the fastest growing region in the world, the country will have to offer something else to domestic and foreign investors besides cheap labour, fortunate geography and a tradition of pro-business policy.

Whether Thailand can supply the skills, infrastructure and policy adjustments that will be needed depends on decisions made now.

Unfortunately, few such decisions are being taken. The jewel of the country's economic management team – the civil service – is losing some of its shine as defections to the private sector grow. The politicians being called in to make up for the shortfall appear unable or unwilling to tackle the issue.

More than just economic growth is at stake. "It's not just quantitative things that I'm worried about," says Mr Supachai Panitchpakdi, former Deputy Prime Minister for international economic affairs and a committed free-marketeer. "If government doesn't become more pro-active we risk becoming a second-rate country and people won't take us seriously internationally. They will know we don't know where we are going."

Apart from an anti-growth backlash that is gaining some vocal adherents, there is a general consensus about where the government should be going. First and foremost, it must improve education at all levels. Stories of a shortage of skilled labour are commonplace in Thailand, but it is not just a question of turning out better trained workers. The country is paying huge sums for foreign technology and know-how – and making soft loans to stock market speculators – while underfunding the universities that are supposed to turn out Thailand's next generation of innovators and entrepreneurs.

Infrastructure development is in chaos. "There is no planning of urban growth," says the deputy prime minister Mr Thaksin Shinawatra, the government's chief traffic planner. "We are spending most of our time just trying to catch up with developments by the private sector."

Turning over infrastructure development to the private sector was supposed to be the cure, but the results have been mixed. It is easy to get a telephone but impossible to ride on mass transport. "The priority areas are the most complicated and those are the ones the government is handing to the private sector, as if to say 'you deal with it, it's too hard for me'," comments a senior Western banker. "But those projects are also the ones that are the most difficult for the private sector to finance. They seem to have no problem spending government funds on widening a road into the district of some key MP."

Troubled waters: because of the government's lack of long-term planning there is no guarantee that this year's disastrous flooding won't be repeated next year

Less talked about but perhaps more crucial is civil service reform. Several ministries, such as industry, agriculture and commerce, along with the revenue department, are now expected to move quickly to provide new incentives rather than protect the status quo. But many talented people are now shunning public service – and who can blame them with demand for university graduates outpacing supply in the private sector.

The good people who do remain in the government now spend much of their time containing the politicians instead of working with them. Some even warn that with the civil service declining both in quality and power, the cornerstone of Thailand's economic success and stability – conservative monetary policy and strict fiscal discipline – is at risk.

"Balanced budgets have only been around for the past six or seven years," says Mr Ammar Siamwalla, president of the Thailand Development Research Institute. "And governments that are not sure of their hold on power have a tendency to overspend and undertax."

Many Thais, frustrated that their government is shaky and not preparing for the future, are calling for a reform of the corrupt political system of vote-buying and influence peddling that produced this situation. But even here the lack of leadership is glaring, as the political reform movement is deeply divided. Some want to clean up politics by deepening democratic processes, while others want to curb the excesses of democracy and move towards a government by enlightened élites.

"Our decision-making process is failing," says Mr Ammar. "We are moving from a village-based to a mass-based society and we haven't yet figured out how to deal with it."

The government itself is unlikely to move on this issue in either direction. Despite the fact that the political system is failing the country, pure self-interest will prevent this government from acting: there is little hope that the current crop of politicians will reform themselves out of a job.

Mr Banharn has presented himself as a man of the people, eager and able to get things done. The spectacle of him rushing off daily for an entire month to hand out charity for flood victims was noble. But it was also a diversion from the main issue: what Thailand needs is long-term planning to prevent floods from occurring again next year.

"The prime minister is very sensitive to public opinion," says one of his close advisers. "So he gets up in the morning, looks at the newspapers and decides what the issue of the day is. And then he goes out and tries to solve it. The next day it could be something else."

If Mr Banharn himself wanted to change things, Thais might forget the tarnished past that he and those around him carry, and support his work. But the prime minister, a political veteran of more than two decades, is the ultimate product of a flawed system and therefore not the kind of leader ready to buck a trend and pursue long-term goals.

Instead, Mr Banharn, a building contractor by profession, has a vision of success that involves bricks and mortar. His aim is to build "things you can touch", says an Asian diplomat. "And you can't touch a better educational system, government efficiency or political reform. They just don't fit into his idea of achievement."

It has been several years since Thais took their frustration into the streets and demonstrated against what privately they fret about. The unifying influence of King Bhumibol Adulyadej and the comforts provided by a growing economy have diluted discontent and allowed the country to pursue its muddling ways with a great deal of confidence and pride.

But as the King gets older and the economy faces new challenges, neither of these two conditions is assured. Whether Thailand is preparing itself to deal with these transitions is not certain either.

Lights, camera, inaction? The prime minister (right) says he likes to get things done; critics say he doesn't Reuter

IN THIS SURVEY

Editorial production: Sarah Murray

Foreign policy: by William Barnes

Superpower links prove critical

The difficulties of its neighbours make the country keen to protect its US alliance

Thailand, which has never been a colony, claims that it was the skills of its diplomats that kept it independent during the time when France and Britain controlled much of the region.

The skill of remaining friendly with even strongly opposed powers is no less vital now that the geopolitical power grid is shifting and subtly altering old alliances in the Asia-Pacific region.

Thailand believes strongly in trying to persuade everyone not to rock the Asian boat for fear of capsizing its economic success. This is why Bangkok's diplomats pay so much attention to regional bodies such as the Association of South-East Asian Nations (Asean) and the Asia-Pacific Economic Co-operation group.

There is little dispute among the policy makers that the US's combination of political, economic and security clout cannot be replaced by the economic superpower of Japan, despite the latter's huge investment in the Thai economy.

There has also been scant sympathy this year for the vehemently anti-US views of a former foreign minister, Mr Thanat Khoman, who heads a 12-member committee set up to investigate US suspicions that some Thai politicians were involved in drug trafficking.

The country's growing economic prowess, the growth in regional trade, and the expected success of the Asean Free Trade Area, which has injected new life into Asean, have made Thailand more confident. However, it is unlikely ever to undervalue its US partner, which still provides a market for a quarter of its exports and a security umbrella exemplified in the US-Thai Cobra Gold military exercises that take place annually.

Thailand, like the rest of Asean, is feeling its way with a prickly and covetous China, while offering to act as a neutral arbiter in the dispute between China and its Asean partners over who owns the resources of the South China Sea. This underlines the warm relations with China, from which it is divided by narrow strips of Burma and Laos.

At the same time, the vigorous, well-integrated Sino-Thai business sector has shed much of its traditionally suppressed Chinese connections and won some 70 joint ventures in China. The Thais are disappointed that Burma, after centuries of suspicion, has been much less receptive to Thai charm at a time when Rangoon's generals have the door open for business.

The Burmese military has complained vociferously, and frozen cross-border trade, over Thailand's support for rebel ethnic groups, such as the Karen, and its alleged support for the increasingly isolated drug warlord Khun Sa.

Thailand pulled the then pariah regime out of near bankruptcy in 1989 when it bought logging and fishing rights. But now Rangoon's generals, flush with investments from Singapore, Japan and elsewhere, have chosen to be offended by "unprincipled" Thais. There could also be a genuine culture clash – the Thais see themselves as sensibly flexible and the "principled" Burmese as bloody-minded.

In Vietnam, a history of mutual mistrust has also helped prevent Thailand playing a significant part in the country's economic rehabilitation – although relations with the new Asean member should improve, especially as new transport links are thrown across the Mekong river region.

Thailand still hopes to make business inroads into Cambodia once that country emerges from the mire of corruption and political repression, in spite of Thai entrepreneurs' reputation for shady dealings there.

Landlocked Laos continues to be drawn closer into Thailand's orbit and is committed to becoming the primary source of new Thai hydropower.

Mr Surin Pitsuwan, the deputy foreign minister in the last Thai government, worries that the country is not served well at the moment by its international representatives. The soft-spoken foreign minister, Mr Kasem Kasemsri, belongs to a troubled junior coalition partner without direct access to the prime minister, Mr Banharn Silpa-archa. It is doubtful, however, that direct access would help: Mr Banharn himself appears to be wrapped up in domestic matters.

The foreign minister vies to influence foreign policy with a deputy premier, Mr Amnuay Virawan, a former businessman/civil servant, who oversees international trade, and with the commerce and finance ministries, which are both controlled by the premier's own Chart Thai (Thai nation) party.

"It is extremely difficult to come up with a coherent foreign policy if you can't co-ordinate all these different positions," Mr Surin says. "The foreign ministry might be left with just the rituals – the serious issues being handled somewhere else."

Foreign ministry officials argue that Mr Kasem, a former permanent secretary at the foreign ministry and a veteran ambassador, is an effective, if low-key, operator. International economic relations have traditionally been handled by a deputy premier except when former diplomat, Mr Anand Panyarachun, took on the role when he was appointed caretaker prime minister in 1991.

Perhaps the current ministers are less aggressive in pushing free trade than Mr Anand, who initiated the AFTA scheme, and the previous deputy premier responsible for international trade, Mr Supachai Panichpakdi.

Yet the journalist and trade expert, Mr Peter Mytri Ungphakorn, says: "Thailand is becoming increasingly confident and increasingly accustomed to the idea of liberalisation and deregulation, because of the success of the region and the success of its own export-oriented policy."

■ **The economy:** by Ted Bardacke

Hot debates on overheating

Exports and investment may be strong, but there are long-term concerns

Worrying about tha performance of the Thai economy has become the national sport in Thailand. Commentators argue constantly about the arcane statistical basis for a one-tenth of a one percentage point rise in the inflation rate in the same way they might discuss sporting events. Moreover, blow-by-blow accounts of the behaviour of the stock market, based on rumour, innuendo and speculation, also seem more suited to reports about boxing than business.

But as with sport, the anxiety is purely a pastime. The long-term concerns about the economy – a shortage of skilled labour, infrastructure bottlenecks, bureaucratic inefficiency and political instability – are still at least two years away from having a harmful effect. Meanwhile, the economy is likely to grow 8 or 9 per cent this year and next. Short-term apprehension about overheating appears to be dissipating as a strict monetary policy instituted in the middle of the year takes effect. Private and foreign investment remain strong.

Exports are leading the charge, growing at an annual rate of about 20 per cent every month. Additionally, both the composition and destination of these exports are diversifying, making the economy less vulnerable to downturns in specific regions or industries.

Electronics, electrical appliances, computers and parts now account for about 44 per cent of export growth, according to Baring Securities. Vehicle and parts exports grew 58 per cent in the first seven months of this year and in 1996 and 1997 several Japanese and US car and truck factories will open or expand with an eye to export.

Even the acknowledged "sunset" industries are expanding. Traditional commodity and textile exports, each accounting for about 12 per cent of all exports, are growing at 17 per cent and 14 per cent respectively as rice prices rebound and some textile firms invest in backward linkages.

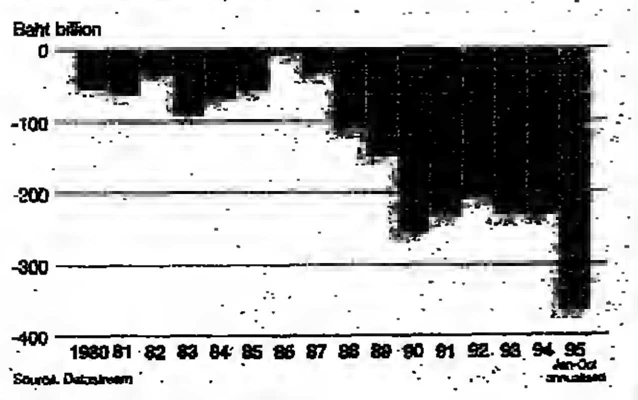
Meanwhile, Thailand's partners in the Association of South-east Asian Nations (Asean) are expected to replace the US as the country's leading export market in 1995, accounting for more than 22 per cent of exports. Japan is not far behind, buying 17 per cent of Thailand's exports.

This high level of intra-Asian trade is partly a reflection of a sustained wave of Japanese investment, drawn to Thailand by the strong yen, the country's continuity of policy, geographical closeness to the emerging economies of Indochina, and the dominating presence of Japanese banks which are taking advantage of Thailand's offshore lending privileges. A new measure giving additional tax breaks to companies setting up in targeted areas of the country is expected to be a big incentive for the Japanese.

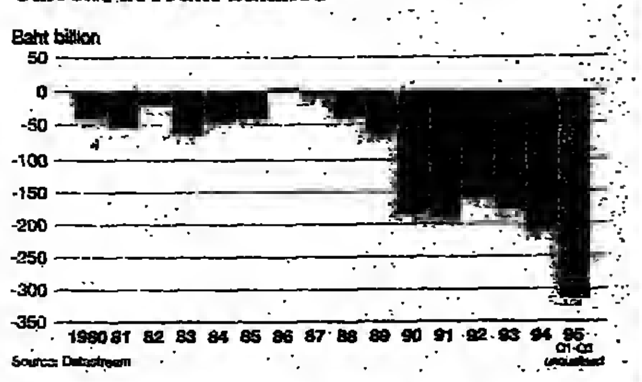
In the first half of 1995, Japanese companies made direct investments of $248m (£156m) – more when loans from offshore banks are taken into account. The US was the second biggest investor with $203m. During the same period, approved foreign investment as a whole was up 54 per cent over 1994 levels to $13.2bn.

Domestic investment remains strong too. Despite bank lending rates of more than 13 per cent, the private investment index continues to grow every month at an average annual rate of above 15 per cent. Some of the country's largest companies, such as CP Group and Italian-Thai Development, are beginning to see returns from thair forays into China and south-east Asia.

Visible trade balance



Current account balance



So why the worry? The downside of such strong growth is the potential for overheating. Inflation is rising and could end the year up one full percentage point over the government's original target of 4.8 per cent. But most economists argue that inflation is being driven by rises in food prices, exacerbated by the country's worst flooding in a decade, rather than excess domestic demand.

Similarly, the current account deficit, targeted to be above 6 per cent of GDP for the year, is rising. The Bank of Thailand, the country's central bank, says neither the size nor the structure of the deficit ought to be of concern: the rise is cyclical, due to continuing high levels of investment, and capital goods make up the bulk of imports. The recent clampdown by the central bank on lending to speculative areas of the economy and a tight money supply has alleviated many short-term fears.

But two flaws remain. First, whereas in the past foreign direct investment with a specific export objective was driving the current account deficit, now investment growth is coming from increased spending on infrastructure, and by Thai companies. The concern is that Thai businesses may concentrate more on the domestic market while improved infrastructure will only marginally help exports, especially if it is not targeted correctly.

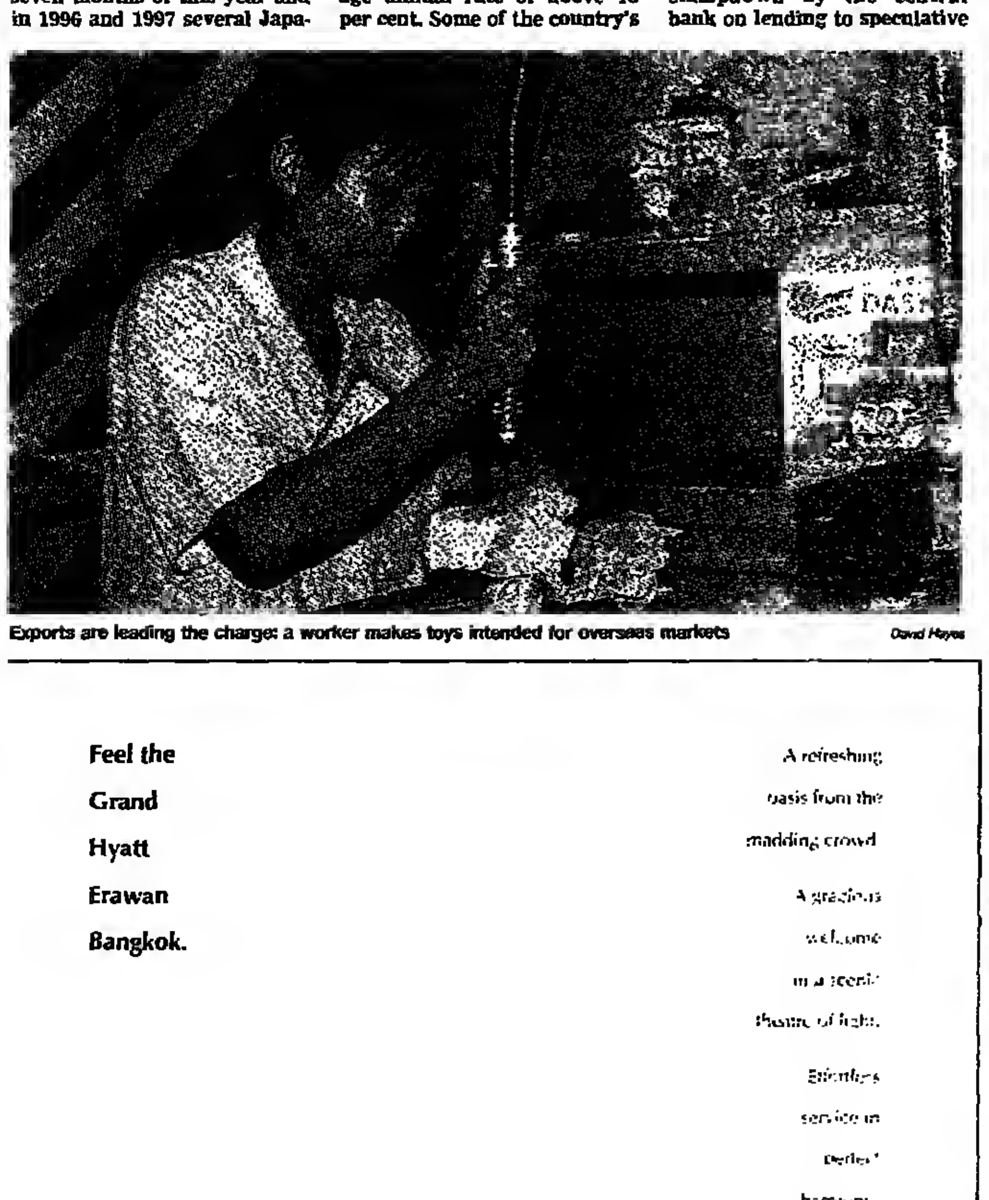
Second, some economists argue that the current account is being funded increasingly by the money markets. In 1995, portfolio investment as a percentage of current account funding is up and direct investment is down, compared to 1994. These numbers are misleading as much of the foreign investment is reflected in flows from offshore banks.

Traditionally, these offshore loans, generally for one year, should be considered short-term, especially for the banking sector where institutions are funding themselves with short-term money for long-term lending. But Mr Neil Saker, senior economist at Crosby Securities, leads a group of economists who argue that most offshore lending should classified as long-term capital.

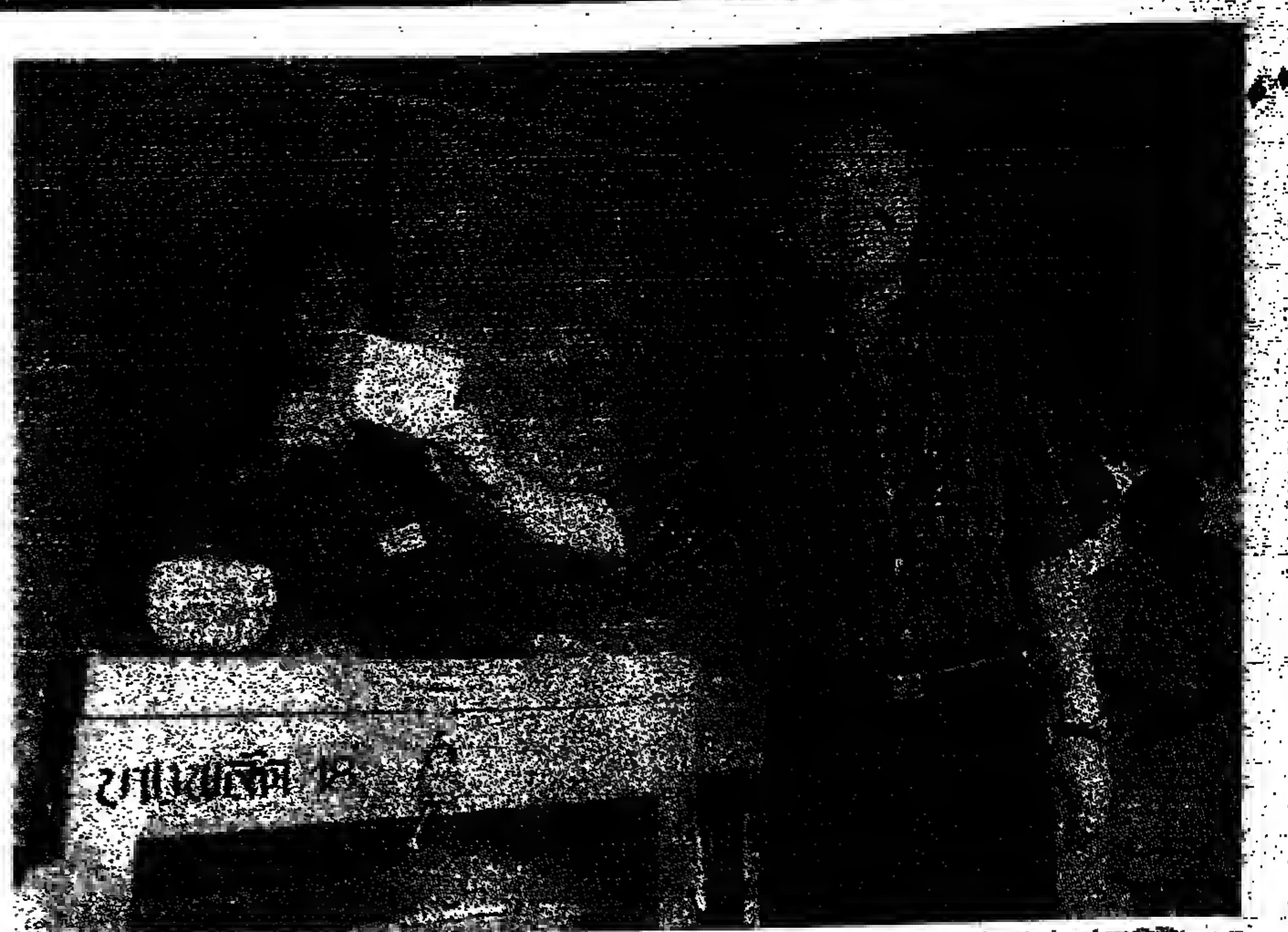
"Japanese direct investment is being funnelled through Japanese offshore banks – Mitsubishi Bank lending to Mitsubishi Engineering, for example – so those loans should be renewed every year," says Mr Saker. He calculates that if bank loans are included in long-term capital flows, 125 per cent of the current account was funded by long-term money in the first half of 1995, up from 101 per cent in 1994.

Nevertheless, as a capital deficit country, Thailand remains vulnerable to shocks – whether of a political nature internally or an economic nature externally.

This appears to be the real source of worry, as Thais are uncomfortable about depending on outsiders. But at least this concern leads to real and open debate about economic issues. This discussion, along with accurate and timely numbers from the central bank, ought to alert anyone about the onset of trouble long before it occurs.



Exports are leading the charge: a worker makes toys intended for overseas markets David Hayes



Thaksin Shinawatra casting his vote in the general election: his Palang Dharma party offers the government one of its few shades of credibility AP

■ **Politics:** by Ted Bardacke

Self-hate rules the coalition

While the government is unpopular, internal tensions are its biggest problem

That the government of Thailand faces problems is undeniable.

But when considering them, forget that the politically powerful middle class hate the new government of prime minister Mr Banharn Silpa-archa. Forget that the influential and free-wheeling media, having scrupulously documented the rampant vote-buying that brought the government to power, hate it too. Forget that university-educated civil servants and the country's clubby élite are embarrassed about being ruled by country folk.

Forget, too, that foreign investors in the stock market are pulling their money out and retail investors are shooting themselves. Forget that the US continues to make unsubstantiated charges about drug smuggling by pretenders to cabinet posts. Set aside, even, that the most powerful man in the country, the much revered King Bhumibol Adulyadej, publicly criticises the government.

The real problem for Mr Banharn's seven-party coalition is that it hates itself.

Not a day goes by without some coalition member demanding a cabinet shake-up. Members of the dominant and scandal-tainted Chart Thai party charge the most honest coalition party – Palang Dharma (PDP), led by telecommunications tycoon Mr Thaksin Shinawatra – with corruption and then turn round and bicker among themselves over how to divide the spoils offered by the government budget. Respected outsiders in the cabinet, such as former banker Mr Amnuay Virawan, talk about the coalition in the third person, seemingly afraid of becoming too associated with a government that, in the words of one senior adviser, "has long-term vision but no long-term strategy because we are not sure how long we are going to be around."

Don't think its going to get any better, that the shakiness of the first few months will give way to eventual consolidation, says Mr Suchit Bungbongkarn, dean of political science at Chulalongkorn University. "The longer they stay in power, the worse the bickering is going to get. There will be more disputes over how to divide the cake."

And yet, for the moment, there is little to suggest that this government is going to collapse. The coalition has such a healthy majority in parliament that it could survive the withdrawal of two or more minor parties.

Even a pull-out by the New Aspiration Party (NAP), led by deputy prime minister and defence minister General Chavalit Yongchaiyudh, or a disintegration of Mr Banharn's Chart Thai party could be survived: Chart Pattana, an old schism from Chart Thai led by former prime minister Mr Chatichai Choonhavan, is waiting to join the coalition if the right opportunity arises.

Numbers are not the only thing working in Mr Banharn's favour. So is self-interest: individual members of parliament spent a lot of money to get elected and need to recoup their investment. A new election would mean new outlays of money, and moving inin the opposition diminishes the opportunity to exert influence for private gain.

In addition, the funeral of the late Princess Mother is scheduled for March and the 50th anniversary of the King's ascension to the throne is in June. It would be bad form for either of these events to be overshadowed by a government collapse or crisis.

Nevertheless, given that no elected prime minister in Thailand has served an entire four-year term, odds are that this one will eventually fall. Any one of several issues could knock this government out of power.

Political reform is one of them. During his campaign, Mr Banharn pledged to push for comprehensive political reform, including an amendment to the constitution that would take the process of drawing up a new constitution out of the hands of professional politicians and the appointed Senate.

Pushing forward with the proposal would win Mr Banharn sorely needed public support. However, pressing for a vote on the issue in parliament could bring down the government; and many of the prime minister's backers would eventually be swept out of power by political reform.

But to abandon the idea of political reform is in invite protesters into the streets. "If political reform doesn't go forward the government will collapse," says Dr Sant Hathirat, president of the Confederation for Democracy. "The people will bring it down."

This issue is likely to come to a head in March, when Mr Banharn must appoint an entirely new Senate, currently dominated by conservatives appointed during Thailand's last military coup in 1991.

"The appointment of a new Senate is a time bomb for Banharn," says retired Gen Saiyud Kerdpol, former supreme commander of the armed forces. "If the quality of the senators is like that of the government it is going to provide a lot of ammunition for the opposition."

Internal coalition dynamics also threaten the government. The Chart Thai party is divided into at least three factions, giving Mr Banharn a shaky base to begin with. Gen Chavalit of the NAP and Mr Thaksin of the PDP could leave the government at any moment: the former if he thought he could force an election that he could win and the latter to save face within his own moralistic party. A withdrawal by the NAP would deny Mr Banharn a parliamentary majority while the PDP offers the government one of its few shades of credibility.

Even Mr Banharn's critics acknowledge that his wealth of political experience gives him an advantage when it comes to dealing with these internal disputes. "Every political party has people who think differently," the prime minister says. "But before I was leader, I was secretary-general for a long time. I know how to manage."

But if Mr Banharn wants to keep his backers in line, he is going to have to dole out favours. This could lead to corruption and eventual scandal, similar to the events that brought down his predecessor Mr Chuan Leekpai.

A lingering scandal is already proving upsetting. Two senior Chart Thai leaders have been denied visas to the US because of US suspicions that they are linked to drug traffickers. The US has refused to provide any evidence, but Mr Banharn was still forced to leave the two temporarily out of the cabinet.

A government committee investigating the US claims is likely to deliver a verdict neither exonerating nor convicting the two men, a move which will satisfy no one: the two will still make demands for cabinet posts, the public will still want them left out.

This kind of searching for a middle way is common in Thailand and can often be used to defuse political conflict. But some worry that it will lead to the kind of stalemate that could be exploited by the military, responsible for 17 coups and coup attempts in the past 60 or so years. "If there is a stalemate, the military could be a tool to end it. Some people, including the businessmen, would be happy to work with the military," says Gen Saiyud.

Still, the military option is remote. At the moment the armed forces are striving for respect rather than political power. And with no insurgencies or military conflicts with neighbouring countries there is less opportunity for a charismatic military leader to emerge. In fact, he probably won't be given a chance to emerge. This government, whether by collapsing under its own weight or miraculously surviving, will see to that.

■ **The eighth five-year plan:** by Ted Bardacke

The people's new stake in policy-making

'Citizen participation' is part of a change in focus in economic and social strategy

Five-year economic development plans hardly seem relevant in the world today. Only strongly authoritarian states seem to bother any more and even they meet mixed results requiring revision half-way through.

Thailand is different. Not only has it had a series of five-year plans since 1961, but the next one could be more important than ever.

Although Thailand has minimal state apparatus and is culturally averse to coercion, the plans provide specific targets for economic and social development and broad guidelines and policy recommendations for the government on how to meet them. They are produced by the National Economic and Social Development Board (NESDB), a government entity run by Mr Sumet Tantivejkul, who doubles as the director of the King's Royal Initiated Projects.

The next plan will be ready by early January and will run from 1997 to 2001. The importance of this new plan goes far beyond the usual macro-economic targets – 8 per cent annual growth in GDP, inflation steady at around 5 per cent – and policy recommendations such as improving education and promoting administrative decentralisation.

Instead, with the eighth plan, the NESDB has changed both the mechanism for designing the plan and its focus in ways that have caught the attention of governments and organisations as diverse as Mongolia, the European Union and the United Nations Development Plan.

The agency has abandoned its top-down approach to planning and chosen to include the views of citizens' groups and non-governmental organisations from the beginning, a far cry from the seventh plan where many of these groups were left out and subsequently produced their own "alternative" five-year plan.

The result is a plan that has "human development" as its central theme. Quality of life issues such as education, public health, preserving family structures, crime prevention and protecting the environment are stressed in the plan.

Economic growth and competitiveness are targeted too, but only if they are in areas that will enhance well-being. As the NESDB also scrutinises the terms of important government contracts, the plan's new priorities will affect which private sector projects get the swift go-ahead and which are bogged down in bureaucratic wrangling.

"In the past we have had a lot of economic growth," says Mr Phayap Phyormyont, senior expert at the NESDB. "That has often meant more places to sell liquor, environmentol destruction and more places to gamble. We want to make sure growth brings good things."

In choosing thia path, the NESDB is itself taking a gamble. Many of the social and non-economic targets included in the seventh plan have not been met or were blatantly ignored. Critics say that by focusing on qualitative issues that are hard to measure rather than on quantitative targets easy for politicians to understand and implement, the NESDB runs the risk of becoming ineffective and irrelevant.

"The plan will be nice as a historical document, a snapshot of Thailand's main concerns at the present," says one academic involved in drawing it up. "But if the NESDB had the power to implement these plans Thailand wouldn't be in the mess it is in today."

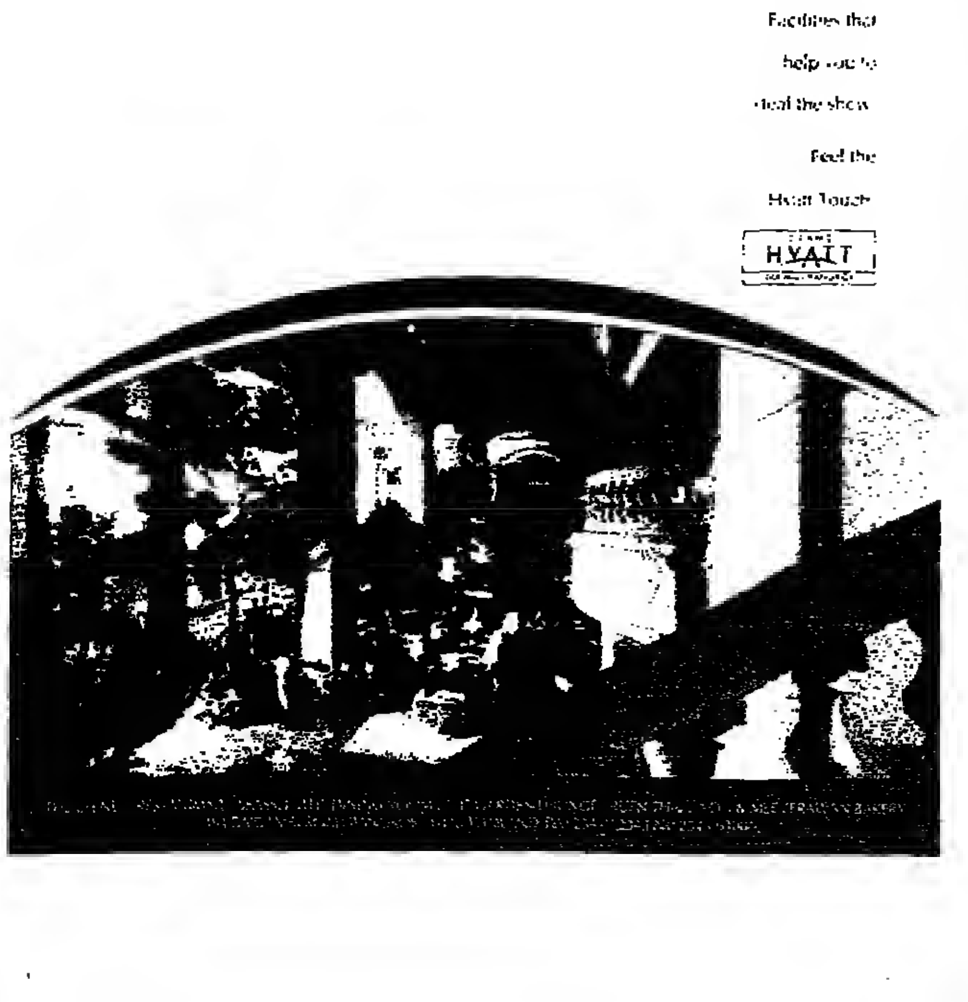
Board members argue that in drawing up the plan with citizen participation, the plan itself will have a natural and vocal constituency – much stronger than the normal planning bureaucracy and able in push the government to implement the its objectives.

"Yes, it is hard to get the government to implement many things in the plan," says Mr Witit Rachatatanun, director of the NESDB's government and private co-operation division. "But if society considers this plan its baby, it will have an interest in helping make it happen."

The NESDB has also realised that persuasion alone will not get Thailand's self-interested politicians to do good works.

Arguing that their process in drawing up the eighth plan is in fact more democratic than Thailand's corrupt alections, the board has enlisted the support of two of the country's most powerful government agencies: the Budget Bureau and the Civil Service Commission. Together these three organisations are designating high-priority and low-priority projects according to the eighth plan's overall goals.

"The three of us are going to the ministers and saying: 'If you support these high-priority projects you will get our help. If not, your ministry will not get money and personnel'," says Mr Phayap.



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Financial markets: by Ted Bardacke

New products and processes

More sophisticated finance and a regulatory system to match are being developed

Not so long ago there were two ways for companies to raise money in Thailand: borrow from domestic banks or go public. Those days are over. A range of new products is already available to companies and investors, and even more complicated investment vehicles are on their way.

Both the regulators, such as the Bank of Thailand and the Securities & Exchange Commission, and the operators, such as the Stock Exchange of Thailand and the Bond Dealers Club, say that futures, options, derivatives, short-selling and more foreign banks with a sophisticated and long-term view are necessary if Thailand is to have access to the capital it needs to fuel further economic growth.

The country is still a huge capital importer and needs to develop as many options for investors as possible.

The challenge is to introduce these investment vehicles without exacerbating the gambling den atmosphere that pervades the stock market. It will also be necessary to ensure that enough expert regulation exists.

The tasks are not easy as the consequences of new moves are often unpredictable, especially for a system that still cannot get companies to release full balance sheets avery fiscal quarter.

Nevertheless, not one major insider trading scandal has emerged this year, due to assiduous suspensions of trading in stocks that show suspicious movements or are being traded on margin by a particular group of investors or brokers.

Yet huge and irregular capital inflows via offshore banking facilities authorised in late 1993 have already put strains on the Bank of Thailand's ability to control monetary policy and domestic liquidity. Next year's addition of five new domestic banks, along with seven foreign banks being upgraded to full branch status, will force both the market and regulators to readjust once again.

Draft regulations for a futures and options market, taken from a combination of US and UK rules, should be ready to be meshed into the Thai legal system early next year.

But trading in these contracts will not begin until 1997. Existing securities companies will be the intermediaries on this exchange, which is likely to be operated by the Stock Exchange of Thailand.

With futures and options in place, derivatives will follow soon. The Securities & Exchange Commission is more worried about bow to regulate the people selling the products than the products themselves.

"We need to make sure that brokers know how to explain these products, especially to retail investors," says Mr Rapee Sucharitakul, director of capital markets supervision at the SEC. "There oeeds to be a clear understanding that they are highly leveraged and that you can lose all your money at once."

Meanwhile, the SET is preparing a SET-50 index thet will be traded on the new exchange and to act as a benchmark. The new index is likely to mirror the movement of the stock market as a whole as it will be dominated by large market cap stocks with a high level of turnover.

With 50 stocks, 63 per cent of the market's entire capitalisation will be covered – adding a further 50 stocks yields only an additional 7 per cent. Only stocks in the banking, finance and securities, telecommunications, energy, property and building and construction sectors will be part of the SET-50.

Short-selling on the SET will begin in late 1996 or early 1997, as regulations still need to be implemented and tax treatment needs to be sorted out with the ministry of finance.

In addition, new licences for securities lending will have to be issued; this is where the SEC expects to exert its regulatory arm most forcefully. Not every securities company will get a leoding licence. Adequate mechanisms for disciplined risk analysis, especially the ability and resources to make a daily mark-to-market, will be required as will a clean record in the past in terms of using margin lending to ramp up stocks.

With nearly 30 per cent of the market now held by institutional investors, Thai officials know that if they don't pursue these instruments, which allow for hedging and options for currency coverage outside of the volatile swap market, investors will create them themselves offshore.

"Even if we don't control them offshore, they will carry the Thai name. if they flop it will be bad and if they succeed they will never come back onshore. So we must implement them ourselves," says Mr Rapee.

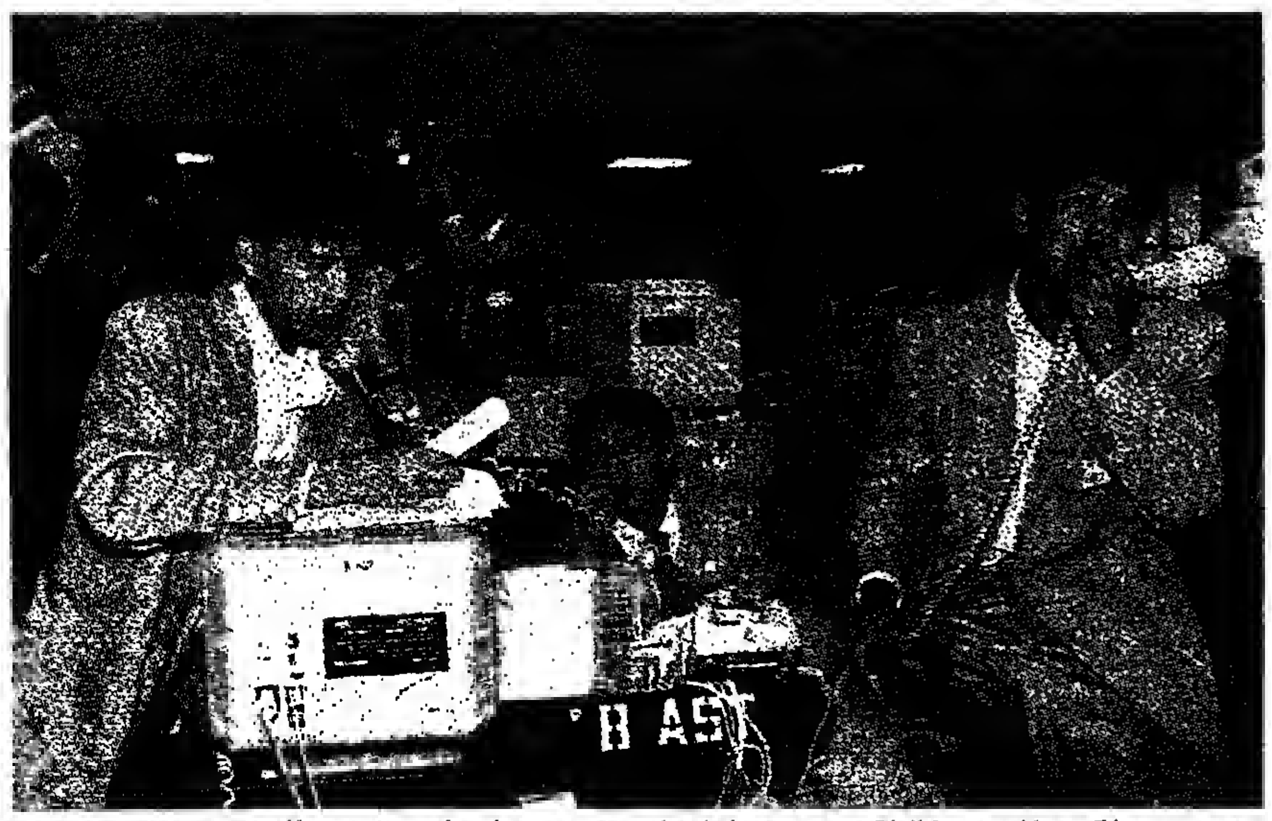
More than risk, the question is how much investors will use these new instruments. Recent developments are not promising. Despite a flurry of new bond issues, including the first government bonds in five years, secondary market trading is still very low, averaging only about Bt250m per day. The new Bank of Thailand bonds have set a reasonably accurate benchmark rate, but lack of trading has prevented a viable yield curve emerging.

Similarly, the new over-the-counter market is suffering from lack of serious investor interest. With only one stock listed so far and no more than 10 expected by the end of 1996, the market looks most likely to become a substitute for the unofficial grey market that has developed for stocks that have completed their initial public offerings but have yet to be listed on the SET. Until there is large-scale participation by leading players, investors will be scared off by fears of illiquidity.

Help may be on the way from changes in the investor profile away from being dominated by speculative retail investors. Eight naw mntual fund licences will be awarded early next year. Treasury departments of large companies and insurance companies should become players in the market as well when private fund management licences are awarded.

Because of a lack of expertise, most companies keep their cash on hand on deposit with banks and finance companies, but now they will be able to farm out treasury services to professionals who will diversify into wider areas.

Private pension funds and a central government provident fund, both scheduled for introduction next year, should also begin to tip the balance of the market in favour of the institutional investor, which the SET expects to control at least 60 per cent of the market within two years.



The country is still a huge capital importer and needs to develop as many options for investors as possible if they are not to go offshore — Glyn Genin

Siam Cement: by William Barnes

Colossus of construction

Big and well run, this blue chip company is the first choice joint venture partner

Few listed Thai companies can match the cool-headed, sophisticated management of the country's leading industrial conglomerate Siam Cement.

Indeed, the usual shenanigans found in Thailand's business families can sometimes be the despair of investment analysts investigating fundamental value.

Siam Cement, however, is a big, aggressive manufacturer that has used its dominance of the expanding domestic cement and building materials market to achieve a number of diverse and lucrative joint ventures, mostly with foreign companies.

"This is an utterly blue chip company – it is Indochina Inc," says Mr Francis Middlehurst, the research manager at Crosby Research in Bangkok.

Siam Cement has shown its management mettle in: beating the labour shortage with canny staff management; anticipating the Asean Free Trade Area by improving its efficiency; and by building up a strong rural distribution network to exploit the forthcoming boom in the provinces.

Mr Middlehurst comments: "It is best positioned to exploit the huge infrastructure investment that is going to take place in this area and it is the partner of choice for foreign companies trying to invest in Thailand."

Siam Cement's joint ventures includa petrochemicals, building materials, auto parts, glass-making and tyre-production.

Overseas companies have been attracted to one of the very rare Thai groups that is not dominated by a single family.

The company was founded in 1913 by King Vajiravudh to supply cement to the booming construction sector. The largest single shareholder remains the 35 per cent stake of the Crown Property Bureau, which manages the royal family's assets.

The group has acquired a momentum in the past eight decades that rivals find hard to match. Also, its prominence gives it a vital first call on university graduates.

But the group's long-term mission, and what appears to be a 20-year investment horizon, can carve the heart out of short-term earnings.

This year the company has gone into another cycle of very beavy investment which – given its typically conservative five-year depreciation policy – burts earnings just at a time when the previous round of heavyweight investments was moving into profit.

The American tile-maker Tilecera is only now moving into profit, for example, after making a loss of Bt428m in 1993. Its various steel businesses will be lucky to break even at best this year.

Now another $2.4bn (£1.5bn) is acheduled to be spent on cament, steal, ceramica, machinery, paper and petrochemical capacity over tha next three years. This investment comes at a tima when its core domestic cament business faces a rising surplus of industry capacity that may preclude a price rise until 1998 or beyond.

Siam Cement is better placed than its rivals to absorb extra capacity as its existing 16.8m tonnes of capacity already controls 46 per cent of the local market. Plans to triple its maximum output – as one of its rivals TPI Polene plans, pushing output in the four years up to 1998 to 8.45m tonnes – puts a great strain on marketing and distribution departments.

Siam Cement has a strong, reputedly almost patriarchal, distribution network which is particularly useful at a time when the market faces oversupply even though demand is rising at around 14 per cent a year.

One building material dealer appeared to be only half-joking when he told a reporter recently that: "If I am caught talking to you they might drive me out of business. They are very fussy."

The company denies that it is unduly favoured in local bidding because of its links with Royalty, but its blne blood undoubtedly does add to its lustre, at least domestically.

Siam Cement is aware of its pole position in the business community: the group was quick to voice its confidence in the economy's sound fundamentals when international belief in Thailand fell following the military's brutal suppression of pro-democracy protests in the summer of 1992.

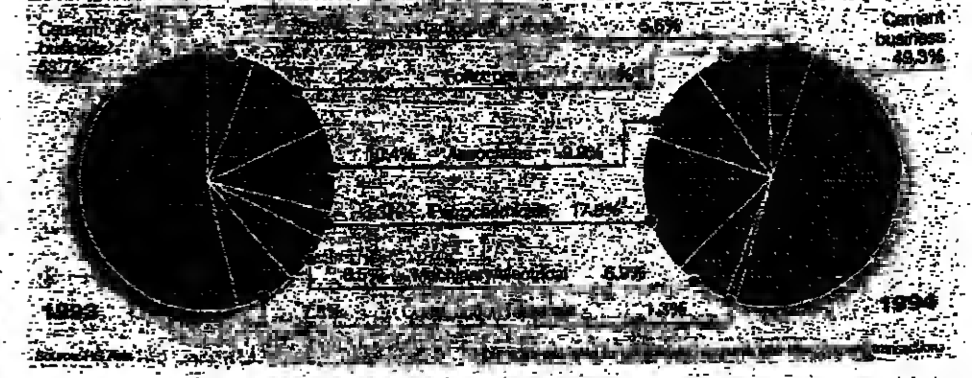
This confidence has sometimes appeared to border on arrogance: executives have been heard to say that there is no pressing need to cultivate foreign investors.

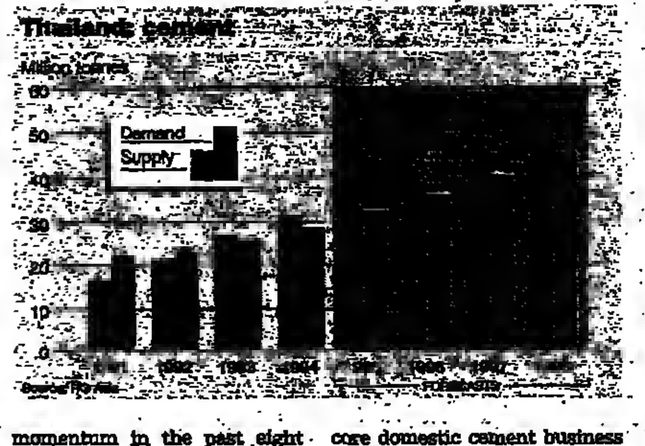
Cement companies the world over are reticent, but Siam Cement, for such a professional outfit, is remarkably reluctant to disclose financial details at the group level.

Revenue is broken down into divisions, as required by the stock exchange, but in notes to the annual accounts a huge and unallocated "adjustment" figure effectively negates the valua of this information.

"This makes it perfectly clear," says one analyst "that they are not going to give anything away. They are giving you completely foggy information – because, of course, you don't know where the adjustments are."

George Morgan, the HG Asia's Bangkok chief, says Siam Cement executives "still seem to have a mission to look at the long-term view and play up its role as the country's biggest industrial conglomerate. That is quite a challenge when it can mean pretty anaemic earnings."





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THE UNIVERSITY OF NOTTINGHAM

DEVELOPMENTS IN THAILAND

The University of Nottingham is proud of its long standing links with Thailand. In partnership with the University of Exeter and at the request of the British Government, it is at present working in Thailand to establish a top quality, world class teaching and research institution in conjunctioo with the Anglo-Euro Syndicate Company Limited:

The British University (Thailand)

It is intended that teaching will commence in October 1997. The British University (Thailand) will be based in Phitsanulok on a purpose built, landscaped, campus and some courses will also be taught in Bangkok. The institution will be the first ever British overseas university to be built anywhere in the world.

As part of the President of the Board of Trade's Mission to South East Asia in September of this year, the Rt Hon Ian Lang, MP presented the Licence Application to the Ministry of University Affairs Thailand at a ceremony at which Baroness Pauline Perry, the British Ambassador, Christian Adams, Professor Brian Chiplin (Vice-Chancellor Designate of The British University (Thailand) and Pro-Vice-Chancellor (Asia), University of Nottingham) were present

The University is also very proud of its links with such prestigious institutions in Thailand as Thammasat University in Engineering and Srinakharinwirot University in Physiology and Pharmacology.

The University each year welcomes an increasing number of students from Thailand onto its courses in all subject areas across its seven faculties.

The University of Nottingham,
University Park, Nottingham NG7 2RD
PUBLIC AFFAIRS
AND INFORMATION OFFICE
TEL. 0115 951 5765 FAX: 0115 951 5733

THE UNIVERSITY OF NOTTINGHAM

Labour: by William Barnes

Schooled in skills shortages

Poor education policy-making has left workers ill-equipped to compete

Nestling close to the horder with Burma, three hours drive north-west of the capital, Karen refugees stitch together sports sboes with fancy brand names for a listed company called Bangkok Ruhher. The company pays the girls – who are glad of the work – ebout $2 a day, or less than half the legal minimum wage.

Foreign refugees, and tbe illegal immigrants that other companies employ, are not covered by labour laws. Some manufacturers, desperate to pare costs to the hone to remain competitive, have successfully persuaded the authorities to turn a hlind eye to Burmese working in the border areas.

This suggests, however, that many companies may he trying to fight a tco unequal contest. For the country cannot beat the likes of China or India on labour costs alone when these rivals offer wage levels one quarter and one fifth, respectively, of what Thai workers can demand.

Thanks to an unusually inadequate education system, at least by east Asian standards, it is still not clear where Thailand's competitive place in the world will be.

Two hours in the opposite direction from Bangkok, the quoted electronics company Alphatech is building e $1hn silicon-wafer plant that is indisputably high-tech.

But, while Thailand must trade up to remain competitive, it cannot realistically hope to figbt toe-to-toe with countries steeped in the most sophisticated manufacturing techniques.

"How can they hope to compete with tbe likes of America and Korea wben they'll probahly have to import everyone but the floor cleaner. Where's the logic?" asks electronics analyst.

Successive Thai government's have left the economy largely in the hands of the vigorous Sino-Thai business community and never saw a need to educate every farmer. Many villages got their first primary school only in the 1960s, when the central autborities wanted to get their hooks into rural folk hefore the communists did.

Habitual neglect dies hard: for all this summer's many campaign promises of mnre and better schooling the education ministry bardly figured wben winners in the general election engaged in the traditionel post-election scramhle for juicy cahinet appointments. The Thailand Development Research Institute (TDRI) calculated in 1991 that even if all Thai children who finisb primary schcol stay on at school only a quarter of Thai workers would have any secondary educatioo in 2000.

"Helf my factory workers have only four years of compulsory schcoling – yet these people are 40 years old et most. They are simply not ready to use the sophisticated equipmeot we need," says Mr Praphad Phohivorakhun, executive chairman of Mitsubishi Electric in Thailand and vice-chairman of the Federation of Thai Industries.

Ricbard Han, the chief executive officer of the Hane Microelectronics Group, seys: "My people ask me wby we aren't doing the sophisticated packages that other people do and I say: 'because you are asking to fly when you can't even walk'. Forget the really high-tecb stuff – Thailand is not going to be another Taiwan or Korea."

Hana recently decided to transfer a substantial amount of its more labour-intensive board assembly work – putting chips on printed circuit boards – over to China.

Compulsory scbooling was expanded hy the previous government from six years to nine, and efforts have heen made to get the private sector to invest in tertiary education. But during tbe years before this takes effect many companies have little choice but to train their own workers or hire abroad, work permits permitting.

Training Thai workers can be frustrating as they are notorious for job-hopping to take advantage of wages rising hy 10 to 12 per cent a year. A proposal to give companies tax breaks for training workera has reached the cabinet and could well be in the next budget – although some fear the system will be abused by companies making false claims.

> The state has failed in the quality as well as the quantity of education

The state has failed in the quality as well as the quantity of education. All too often teaching appears to have been a refuge for dullards who heve done little more than teacb pupils basic Thai language skills and to salnte the flag. "Children are ground down to a common mediocrity with mindless rote learning," says one Thai educationalist.

Although approximately 20 per cent of government spending goes to education the effect at the pupil level is blunted hy the amount spent on administration.

Tbe passive learniog in school compounds a more subtle cultural obstacle to engaging a complex, high-tecb world.

"A culture where people will not question their seniors – in age or position – can have a stifling effect on initiative. This is more difficult [than education] to solve hecause Thai culture is very, very strong," says Mr Dane Batt, the training director of the Thai construction company Christiani and Neilsen.

A spell of work in more fluid western society is one wey that international companies cao persuade subservient employees to unbend.

Forsign companies will be required to belp supply the workforce with the necessary skills because Thai companies lack a strong technical foundation.

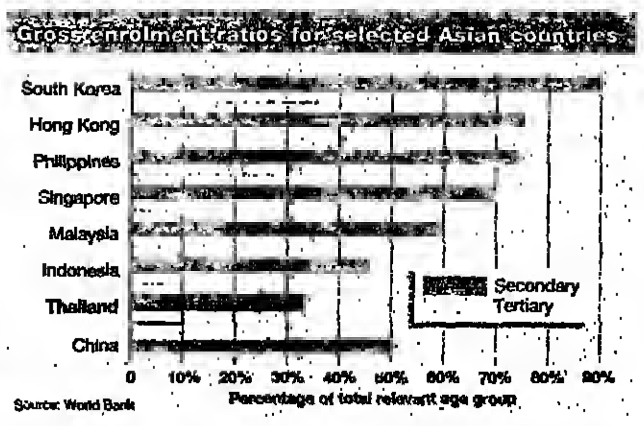
Japanese direct investors, in spite of their pivotal role in the economy, could in fact be holding Thailand back, according to Mr Mark Taylor, a Price Weterbouse consultant writing in the latest edition of *Foreign Affairs*, the influential US journal. Mr Taylor argues that Japanese companies transfer strictly limited expertise to tbeir local partners in Thailand, Malaysia and Indonesia to forestall the sort of competitive backlash that Japan inflicted on US industry after its post-war acquisition of American technology.

"Jepan . . . is determined not to repeat American mistakes," Mr Taylor wrote. "The Japanese bave found that a company can be controlled through its key managerial and technical positions."

It is Thailand's very weakness that makes it e suitable partner for Japan, according lo the TDRI's Mr Chalongphob Sussangkarn. "I think Japan must be much more worried ebout Cbina whose military programme gives it a high-tech capability.

"It'll take Thailand more than 20 years to acquire the skills to make a complete car or a computer – so the way forward must be partnerships with foreign firms," says Mr Chalongphoh.

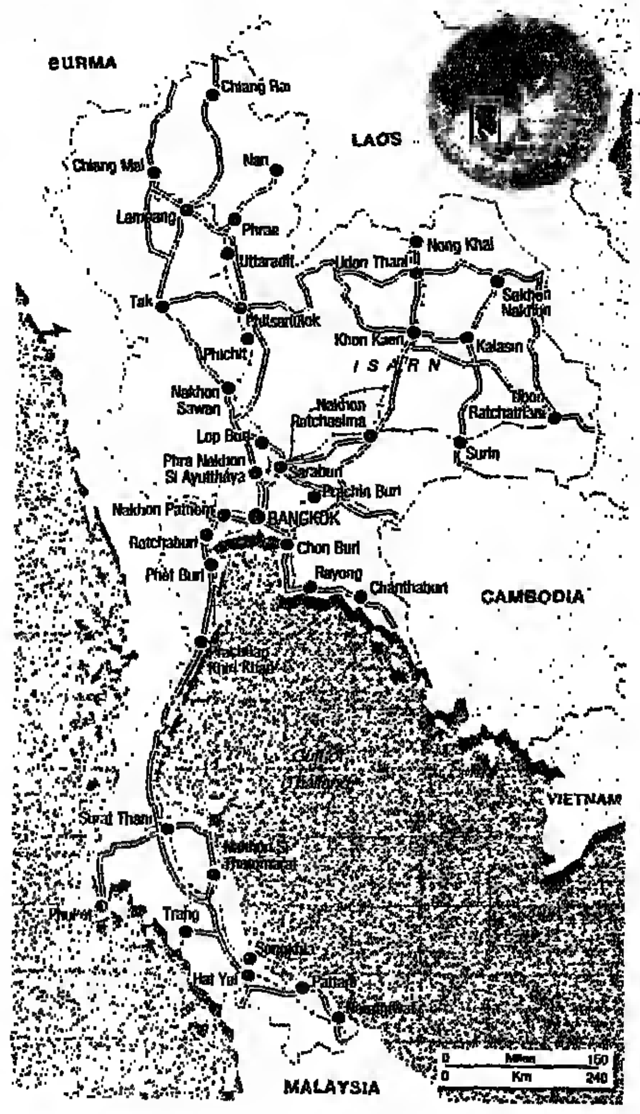
Gross enrolment ratios for selected Asian countries



Source: World Bank

Training Thai workers can be frustrating as they frequently job hop to take advantage of wages rising by 10 to 12 per cent a year Reuter

THAILAND
Key facts and indicators



Climate
Tropical savannah in the north and tropical monsoon in the south, with a hot season from February to April, a rainy season from May to October and a cool season from November to January. The average temperature is 28°c, and in Bangkok temperatures range from 35°c (April) to 17°c (December).

Entry requirements
Passport: required by all except certain seamen.
Visa: visas are not required by most tourists from non-communist countries with onward passage lor stays of up to 15 days/14 nights. Otherwise, visas must be obtained before arrival. New Zealand passport holders may stay in the country for up lo 90 days without a visa.

Currency
There is no limit on lhe amount of foreign currency which may be imported, although it should be declared on arrival. Foreign currency in excess of $10,000 may be exported only if declared al entry. No more than Bt10,000 may be exported and only Bt10,000 imported. Foreign currency should be exchanged only by authorised banks and dealers.

Income tax
Travellers entering on a business visa must produce a tax clearance certificate from the revenue department on departure.

Health precautions
Mandatory: vaccination certificates for yellow fever or cholera if travelling from an infected area.
Advisable: vaccinations for typhoid, paratyphoid and cholera and anti-malaria precautions. Water should be boiled and filtered before drinking.

Air access
National airline: Thai Airways International.
Tax: adult international departures from Bangkok and Chiang Mai Bt200, excluding transit passengers.
International airports:
Don Muang International, (BKK) 30km north of Bangkok.
Chiang Mai International (CNX)
Phuket International (HKT), 35km from Phuket.
Hat Yai International is now open.

Main ports
Bangkok and Sattahip. both are extremely congested.

Key facts

Official title: .... Prathet Thai (Kingdom of Thailand)
Head of state: .... King Bhumibol Adulyadej (Rama IX)
Head of government: .... Prime Minister Banharn Silpa-archa (Chart Thai)
Ruling party: .... Seven-party coalition government
Chart Thai
Palang Dharma (Buddhist Force) (PD)
Social Action Party
New Aspiration Party (NAP)
Muan Chon
Prachakorn Thai
Nam Thai
Capital: .... Bangkok
Official Languages: .... Thai (English and Chinese also spoken)
Exchange rate: .... B24.78 per US$ (July 1995)
Currency: .... Baht (B = 100 satang)
Area: .... 514,000 sq km
Population: 58.57m (1993)

Economic structure

	1991(a)	1992(a)	1993(a)	1994(b)
GDP at market prices				
Nominal GDP (m)	95,737	107,360	120,628	138,869
Nominal GDP (Bt m)	2,443	2,727	3,054	3,493
Real GDP (Bt m at 1972 prices)	680,353	729,111	788,686	856,056
Expenditure on GDP (% real change)				
GDP	7.9	7.2	8.2	8.5
GDP per head ($)	1,682	1,859	2,059	2,338(a)
Private consumption	7.4	5.5	7.8	8.5
Government consumption	2.9	5.9	5.7	4.1
Gross fixed investment	12.2	5.4	8.7	10.8
Exports of goods and services	13.4	13.4	13.0	18.0
Imports of goods and services	13.5	8.6	12.0	17.0
Origin of GDP (% real change)				
Agriculture	3.5	3.0	0.0	3.6
Industry	9.0	8.3	10.0	10.5
of which:				
Manufacturing	8.0	7.8	11.5	11.4
Services	9.1	8.2	10.3	9.0
Exchange rate Bt: (av)	25.517	25.400	25.320	25.150(a)
Exchange rate Bt: (end-period)	25.280	25.520	25.540	26.090(a)

(a) Actual (b) EIU estimates
Source: Economist Intelligence Unit, World of Information

Surface access
There are three weekly rail services between Singapore and Bangkok via Kuala Lumpur, Ipoh, Butterworth and Haadyai (journey time 48hrs). Road access is possible from Malaysia.

Hotels
Most top hotels have good facilities for meetings and can arrange secretarial services if notified in advance. A 10 per cent service charge and 11 per cent tax are added to hotel bills, and it is customary to give small tips for good service. Book well ahead during summer months and Christmas/New Year.

Credit cards
Major credit cards are accepted by main hotels and shops frequented by travellers.

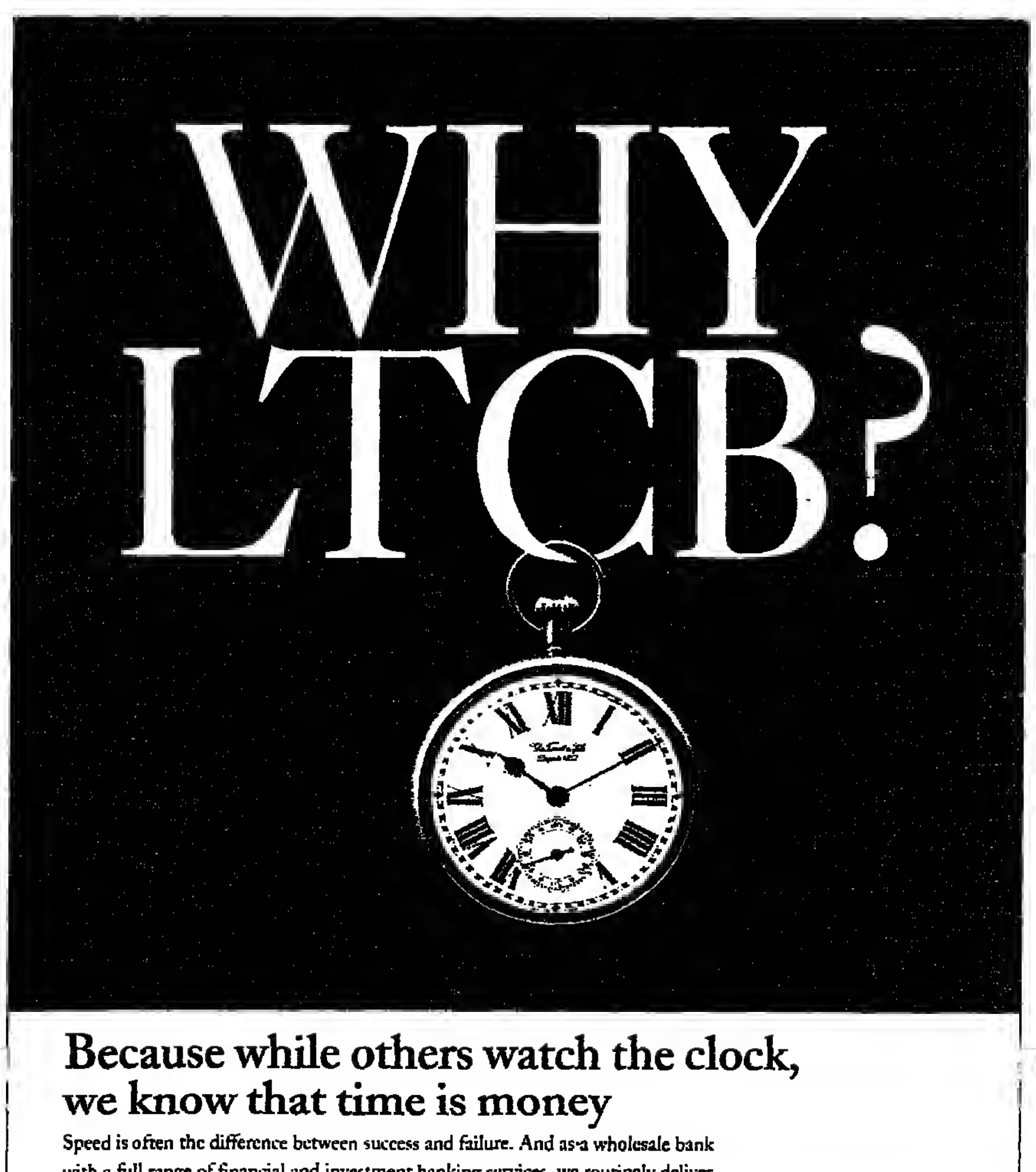
Car hire
Self-drive and chauffeur-driven car hire is evailable in Bangkok, Pettaya, Hat Yai, Phuket and Chiang Mai. An international driving licence is required and driving is on the left-hand aide of the road.

City transport
Avoid rush-hour travel two-hour traffic jams are routine.
Taxis: taxis have yellow number plates and, although they are metered, fares should be agreed in advance. Taxi drivers rarely understand English and it is best to have the name and address written in Thai to show to the driver.
Limousine services: provided by main hotels are more expensive than ordinary taxis. Tipping is not usual.
Buses: Thai Airways International shuttle bus from Don Muang International Airport to the city centre costs Bt80.
Metro: a 20-km metro project is planned for Bangkok, to be opened in 1998.

Public holidays
Fixed dates: 1 Jan (New Year's Day), 6 Apr (Chakri Day), 5 May (Coronation Day), 12 Aug (Queen's Birthday), 23 Oct (Chulalongkorn Day), 5 Dec (King's Birthday), 10 Dec (Constitution Day), 31 Dec (New Year's Eve).
Variable dates: Makha Bucha (Feb/Mar), Ploughing Ceremony (May), Visakha Bucha Day (Apr), first and last Mon in May (Bank Holidays), Asalaha Bucha Day (Jul), Khao Phansa (day following Asalaha Bucha), last Mon in Aug (Bank Holiday), Songkran Festival Day/Good Friday, Easter Monday.
Major Buddhist festivals are determined by the lunar calendar.

Working hours
Business: (Mon-Fri) 0830-1700. (Sat) 0830-1200.
Government: (Mon-Fri) 0830-1630.
Banking: (Mon-Fri) 0830-1530.

Source: World of Information



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